The Reformer's Dilemmas: The Politics of Public Sector Reform in Clientelistic Political Systems

by Bret T. Barrowman

B.A. in Political Science and Russian Studies, May 2003, Stetson University
M.A. in Security Policy Studies, May 2007, The George Washington University

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Henry E. Hale
Associate Professor of Political Science and International Affairs

The Columbian College of Arts and Sciences of The George Washington University certifies that Bret T. Barrowman has passed the Final Examination for the degree of Doctor of Philosophy as of July 30, 2015. This is the final and approved form of the dissertation.

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Bret T. Barrowman

Dissertation Research Committee:

Henry E. Hale, Associate Professor of Political Science and International Affairs, Dissertation Director

Emmanuel J. Teitelbaum, Associate Professor of Political Science and International Affairs, Committee Member

Henry Farrell, Associate Professor of Political Science and International Affairs, Committee Member

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Abstract of Dissertation

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In clientelistic political systems, reforms to reduce corruption in the public sector are impeded by two central dilemmas. First, the politician's dilemma, or tradeoff between the electoral gains from patronage and gains from public goods provision, creates an incentive for political elites to advertise public sector reform without any intention to implement or enforce it. This incentive compounds a second dilemma of coordination among political elites and employees in the state administration, all of whom are unsure that other members of their cohort are willing to forgo the political benefit of corruption for public sector reform. Public sector reform in clientelistic political systems is therefore a problem of credible commitment by competing political and economic elites.

Political party building is one mechanism that facilitates emerging challengers' credible commitment to reform. Emerging reformers that build interest-aggregating parties by incorporating constituencies outside traditional patron-client networks using programmatic or ideological appeals are better able to credibly commit to reform. Conversely, challengers, even with reform intentions, who build parties by aggregating patron-client brokers with narrow political and economic interests will have greater difficulty credibly committing to reform.

To demonstrate this argument, I employ a controlled-comparison process tracing of three cases of public sector reform efforts in highly clientelistic political systems—Ukraine following the 2004 Orange Revolution, the Republic of Georgia following the 2003 Rose Revolution, and Ukraine following the 2014 Euromaidan protests. In each case, I trace the effect of challengers' early party-building decisions on the eventual reform outcomes. In Ukraine, Viktor Yushchenko developed the Our Ukraine electoral bloc by aggregating existing parties and economic elites, maintaining the problem of credible commitment that impeded reforms following the Orange Revolution. In contrast, in Georgia, Mikheil Saakasvhili developed a political party by incorporating new constituencies, facilitating a credible commitment to reforms that produced the most significant public sector reforms among the three cases. Finally, in Ukraine following the Euromaidan protests, the dominant parties remained aggregations of clientelistic networks, again impeding a credible commitment to reforms by competing networks. However, some formal incorporation of external constituencies has produced marginal improvements in reform outputs compared to post-Orange Revolution Ukraine.

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Chapter 1: Introduction and Relevant Literature

What explains the success or failure of public sector anticorruption reform programs in clientelistic political systems? The literature on political clientelism[1] suggests that in these systems, reforms to reduce corruption in the public sector are impeded by two related dilemmas. First, the politician's dilemma (Geddes 1996), or tradeoff between the electoral gains from patronage and gains from public goods provision, creates an incentive for political elites to advertise public sector reform without any intention to implement or enforce it. This incentive compounds an existing dilemma of coordination among political elites and employees in the state administration (Hale 2011), all of whom are unsure that other members of their cohort are willing to forgo the political benefit of corruption for public sector reform. Public sector reform in clientelistic political systems is therefore a problem of credible commitment by competing political and economic elites. Even well-intentioned reformers will be unwilling to give up corruption as a valuable political tool unless they can be confident that other elites will do the same.

Political party building is one mechanism that facilitates emerging challengers' credible commitment to reform. Drawing on the new institutional economics literature on credible commitment and the literature on political party formation, this study argues that

[1] The definition and conceptualization of political clientelism will be discussed in greater detail later in this chapter. Generally, however, it can be understood as the distribution of goods or services to individuals in exchange for votes, as opposed to programmatic politics, in which politicians offer packages of policies to broad groups of voters, in order to secure political support.

when would-be reformers develop political parties by mobilizing constituencies outside of traditional patron-client networks, these constituencies act as a constraint on the self-interested behavior of political and economic elites associated with the party, thus facilitating credible commitment to reform. Conversely, emerging reformers who build parties by aggregating existing patron-client brokers and their associated networks will have greater difficulty credibly committing to reform, since these parties lack a constituency capable of constraining brokers' pursuit of narrow political and economic interests.

To demonstrate this argument, I employ a controlled-comparison process tracing of three cases of public sector reform efforts in highly clientelistic political systems—Ukraine following the 2004 Orange Revolution, the Republic of Georgia following the 2003 Rose Revolution; and Ukraine following the 2014 Euromaidan protests. Reform efforts in these three cases provide an excellent opportunity to isolate the effect of party building strategies on reform outputs by holding constant several structural variables that are often identified as determinants of corruption levels. The cases exhibit variation across the range of reform outputs, which Georgia implementing a dramatic set of anti-corruption reforms following the 2003 Rose Revolution, and Ukraine exhibiting a stalled reform effort after the 2004 Orange Revolution. Furthermore, the reform efforts in Ukraine following the Euromaidan protests in 2014 provides an additional level of controls by introducing a temporal comparison. Although the outcome in post-Euromaidan Ukraine is still uncertain, I characterize this reform process as a middle case

in which elites have implemented several politically costly reforms, especially relative to the post-Orange Revolution era, but have not yet achieved or attempted the degree of reform as in Georgia following the Rose Revolution.

I argue that the variation of these outcomes is due to the early political party-building strategies of reformers. In each case, I trace the process of reform efforts beginning with the emergence of reformist opposition figures from within a pervasively corrupt and clientelistic governing coalition. In Ukraine in 2001, following his dismissal from the post of Prime Minister, Viktor Yushchenko developed the Our Ukraine electoral bloc in order to contest the 2002 parliamentary elections, and eventually the 2004 presidential election that produced the Orange Revolution. Our Ukraine functioned primarily as an umbrella group for existing parties and political and economic elites opposed to the incumbent President Leonid Kuchma. This decision to aggregate existing networks would have consequences for the post-Orange Revolution reform process, as the incoming governing coalition was beset by problems of credible commitment stemming from ongoing competition between associated political and economic elites.

In contrast, upon resigning from the government of incumbent President Eduard Shevardnadze in Georgia in 2001, Mikheil Saakashvili formed the National Movement by drawing on previously excluded constituencies, including urban activists and employees of nongovernmental organizations (NGOs) and international donor organizations, as well as lower-class rural voters. When Shevardnadze's government

engaged in electoral fraud in order to secure a favorable result in the 2003 parliamentary elections, Saakashvili and the National Movement, in cooperation with other opposition parties, deposed Shevardnadze during the Rose Revolution, allowing Saakashvili and the National Movement to implement a constitutional framework that insulated the president and the party from electoral competition. The National Movement's primary constituencies therefore facilitated the credible commitment of party elites to reform, and Saakashvili and his cabinet implemented a dramatic public sector reform program during his first term.

Finally, the main opposition parties during the first term of President Viktor Yanukovych from 2010 to 2014 largely remained recapitulations of Ukraine's existing patron-client political networks. As such, after the 2014 Euromaidan protests resulted in Yanukovych's abdication of the presidency, the post-revolution political environment was dominated by clientelistic parties associated with the incoming President Petro Poroshenko and Prime Minister Arseniy Yatsenyuk. As a result, the competing elite networks associated with these parties have impeded politicians' credible commitment to reforms in much the same way as they did following the Orange Revolution. However, the 2014 parliamentary elections saw the emergence of a new, relatively programmatic party, *Samopomich* (Self-help or Self-reliance), and the dominant clientelistic parties included a few prominent journalists and Euromaidan activists in prominent positions on their party lists. These externally mobilized constituencies have pressured the president

and the government to adopt some reforms that represent a marginal improvement over post-Orange Revolution Ukraine.

This study proceeds in six stages. The remainder of this chapter reviews the relevant literature on public sector corruption and political clientelism, and argues for a theoretical approach that focuses on elites' ability to credibly commit to reform programs. Chapter 2 advances such an argument by identifying two central dilemmas of reform that characterize clientelistic politics, and by positing political party development and formal institutional design as mechanisms of credible commitment to reform. Chapter 3 presents the case of Ukraine from 2000 to 2007 as a baseline in which the public sector reforms stalled due to ongoing problems of credible commitment among ostensible reformers, who came to power largely due to the development of parties that aggregated existing patron-client networks. Chapter 4 provides a contrasting case by tracing the process of reform in the Republic of Georgia from 2001 to 2008. In this case, reformers mobilized constituencies outside of existing clientelistic networks, creating a party that effectively constrained the pursuit of narrow political and economic interests by party elites. Chapter 5 illustrates the intermediate case of Ukraine from 2010 to 2015, arguing that while the dominant parties remained aggregations of clientelistic networks, some increased incorporation of external constituencies into the parties, combined with the emergence of a new, externally mobilized party, facilitated some marginal reforms. The dissertation concludes with a brief recapitulation of the theoretical and empirical arguments, and

discusses the findings in the context of several plausible alternative explanations for outcomes in these cases, and for public sector reform outcomes in general.

Relevant Literature

The problem of public sector corruption has generated an enormous body of literature since the 1960s across several academic disciplines. This literature falls into two broad categories. First, large-N quantitative approaches have focused on identifying the structural determinants of the incidence of corruption, usually across countries, but also across sub-national regions. A second approach, usually from the perspective of neoliberal economics, shifts focus to the micro-foundations of corruption by exploring how institutional variation might affect individual agents propensity to engage in corruption. While these approaches generate important insights, I make two related claims about how the study of corruption might be usefully supplemented. First, neoclassical approaches are generally inadequate for understanding corruption in many developing countries because political systems produce few incentives for politicians or state officials to provide oversight of public sector employees. Second, where corruption is pervasive, eliminating or reducing it is primarily a matter of reform. The analysis of how and why particular reform programs succeed is key to understanding variation in levels of corruption both within and between cases. I argue, therefore, that the literature on political elites' tradeoffs between public and private goods provision is a particular

useful staging point for understanding the circumstance under which politicians are willing and able to successfully undertake anti-corruption reforms in the public sector.

Structural corruption research

One major branch of the corruption literature focuses on explaining variation in the national-level incidence of corruption. Beginning in the mid-1990s, the development of aggregate measures of corruption like Transparency International's Corruption Perceptions Index and the World Bank Worldwide Governance Indicators initiated a wave of scholarship on the macro-structural correlates of corruption (For comprehensive reviews of this literature, see (Lambsdorff 2007; Treisman 2007). For a meta-analysis, see (Judge, McNatt, and Xu 2011). In a prominent example of this approach, Treisman (2000) tests existing cultural, historical, economic, and political/institutional explanations for corruption, and finds that Protestant traditions, history of British rule, developed economies, high imports, unitary systems, and long-term exposure to democracy were all associated with lower perceptions of corruption. In a later review article, Treisman (2007) assesses research based on improved data, and adds that a free press, high share of women in government, less intrusive business regulation, and predictable inflation are associated with lower perceived corruption, with the caveat that only a few of these are actually correlated with reported corruption experiences.

However, despite the advances in measurement of corruption, these macro-structural approaches alone have trouble identifying the causes of corruption. Large-N cross national comparisons have been critiqued on theoretical and empirical grounds. Empirical critiques tend to focus on the conceptual and measurement validity of aggregate perception based measures (Treisman 2007; Sharafutdinova 2010; Johnston 2001; Kurtz and Schrank 2007. For defenses of quantitative corruption measurements, see Kaufmann, Kraay, and Mastruzzi 2007; Kaufmann and Kraay, 2006). Theoretical critiques of this research emphasize that it fails to establish the causal direction between corruption and its correlates (Rose-Ackerman 2007). Relatedly, critics argue that macro-structural approaches offer ambiguous or contradictory causal mechanisms that underlie the associations (Klochko and Ordeshook, 2003); (Lambsdorff 2007). In one specific example, Lambsdorff (2007) reviews economic and political structural explanations, and finds little consensus on the effect of regulation, public sector size, voting systems, government structure, institutional design, voting systems, and federalism, in part because causal mechanisms are poorly articulated, or contradictory and poorly tested.

In sum, structural correlates research provides a valuable perspective by identifying macro-level variables that are likely to influence levels of corruption. Indeed, both proponents and critics of this approach are aware of its empirical and theoretical limitations. However, even if the conclusions from this type of research were clear and convincing, they would provide little leverage in explaining how the incidence of corruption arrived at its measured value. From a policy perspective, many structural variables, like culture, colonial experience, and level economic development are not

easily manipulable. Among those that are manipulable, aggregate cross-national indicators are unhelpful either in determining how to structure a particular organization, or in identifying the processes through which the corruption incidence varies within cases. As Rose-Ackerman (2007) puts it, "cross-country work…cannot be used to design reasonable responses."

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Principal-agent corruption research

The second major group of explanations for corruption includes those that focus on the micro-foundations of corruption by emphasizing individual agency at two levels. At the level of individual employees, these explanations emphasize the institutional incentives that structure behavior. These approaches typically take as a starting point a principal-agent model of bureaucracy, in which an honest principal faces the challenge of ensuring his subordinates fulfill the mission of the bureaucracy, given that these agents control information about their own performance (Prominent examples of this approach include Becker 1968; Becker and Stigler 1974; Klitgaard 1991; Rose-Ackerman 1978; Jain 1998). This information asymmetry creates incentives for agents to shirk and cheat for their individual benefit at the expense of the bureaucratic mission. In Klitgaard's (1991) stylized formulation, Corruption (C) = Monopoly power (M) + Discretion (D) - Accountability (A). Thus, reducing corruption is a matter of increasing the capacity of the

principal to monitor subordinates, and to use rewards and sanctions to increase accountability. Indeed, by Klitgaard's account (1991), formal bureaucratic structures and procedures emerge as a result of efforts by managers to control subordinates.

While much of the literature in this tradition is primarily theoretical in nature, focused on the development of formal game theoretic models, the principal-agent framework has generated a growing body of empirical tests of its hypotheses, especially those on federalism and decentralization (Arikan 2004; Bardhan and Mookherjee 2007; Fisman and Gatti 2002a; 2002b; Gerring and Thacker 2004; Lessmann and Markwardt 2010; Shleifer and Vishny 1993; Stokes 2005), wages and benefits (Mishra 2007; Sosa 2004; Van Rijckeghem and Weder 2001), and monitoring and sanctioning (Andvig and Moene 1990; Herzfeld 2003; Mishra 2007). For a comprehensive review of the literature on sanctioning, see (Di Tella and Schargrodsky 2003). A central weakness of this perspective, however, is that the underlying logic is likely to apply only to a subset of political systems—those that have already achieved a close approximation of a Weberian rational-legal bureaucracy. Specifically, the assumptions that underlie the principal-agent model, that honest bureaucratic principals pursue a public-oriented bureaucratic mission, and that anti-corruption is mostly a matter of keeping agents in line, beg the question of how a state obtains honest bureaucratic managers in the first place. Indeed, in many developing countries, bureaucracies are better characterized as patrimonial—political leaders often install personally loyal managers in order to advance their own political and economic interests. In these cases, the managers responsible for oversight have little

interest in pursuing any publicly oriented mission within the state administration, and as a result, little interest in monitoring and sanctioning their subordinates. Therefore, the mechanisms that underlie hypotheses derived from principal-agent assumptions operate differently in different political contexts (Khan 2007).

Corruption as a collective action problem

As a result, the corruption literature has increasingly advocated a collective action framework for explaining reform in systems in which officials ostensibly responsible for oversight are themselves dishonest, and therefore face little incentive to implement reforms. Persson, Rothstein, and Teorell (2012) for example, argue that corruption should be characterized as a collective action problem, or social trap. That is, a state apparatus that works to the benefit of everyone is a public good from which no one individual can reasonably be excluded from enjoying, regardless of whether he contributes to it. As such, each individual, from the citizen who offers a bribe to the bureaucrat or politician who collects the kickbacks, has an incentive to enjoy the public good without cooperating to achieve it. In short, each individual's best outcome is to engage in corruption and let everyone else be honest. Conversely, each individual's worst outcome is to be honest while everyone else engages in corruption. Given this incentive structure, individuals have difficulty coordinating their commitment to honesty, and the public good, the rational-legal state apparatus, is never achieved. As a result, these arguments tend to advocate a "big bang" approach to comprehensive public sector reform (A. Persson,

Rothstein, and Teorell 2012; Rothstein 2011). While this conceptualization improves on the principal-agent model in pervasively corrupt systems, it still characterizes corruption as opportunism—a default behavior which requires deterrence. Yet drawing on insight from the literature on clientelism, corruption in clientelistic political systems suggests that corruption is not just opportunism; it is a behavior that is often compelled. Again, in systems in which politics is conducted according to personalized patron-client relationships, corruption has a political function in addition to an economic one. It is a tool through which patrons guarantee political support in a broader electoral strategy of privatized inducements and coercion. Thus while the advice of recent collective action approaches to anti-corruption reform is well taken, this perspective generally neglects an analysis of the incentives that would induce political elites to actually implement comprehensive reform programs—that is, to adopt a different electoral strategy.

Corruption, reform, and political clientelism

The literature on political clientelism, on the other hand, takes this tradeoff as a central focus. In contrast to the principal-agent model of corruption, in which honest bureaucratic managers must ensure their subordinates advance the public mission of the bureaucracy, the literature on political clientelism suggests that corruption serves a political function. Stemming largely from Weber's traditional form of legitimate authority, analysis of political clientelism tends to view politics as a system of informal institutions and networks for the distribution by elites of patronage in the form of jobs,

resources, or opportunities in exchange for political support. That is, in contrast to the principal-agent framework that assumes a rational-legal state bureaucracy that provides public goods to broad collections of voters, the logic of political clientelism suggests that political exchange is essentially private. Political elites use private goods associated with the state administration[2], including money, contracts, monopoly power, services, and state positions as patronage with which to buy political support from individuals or narrow groups. From this perspective, corruption is not a violation of clearly elaborated formal rules known to all, but a system of informal institutions that structures individual behavior (Darden 2008). Indeed, some argue that in neopatrimonial systems, the blurring of public and private roles makes the concept of corruption analytically un-useful (Médard 2001).

Yet if corruption in these systems is a political tool, anticorruption reforms are primarily a question of why political elites employ clientelism and not an alternative political strategy, like offering public goods to broader groups. The literature on political clientelism has been motivated in large part by this tradeoff. However, many of these explanations emphasize the cultural or structural factors that drive political elites to exchange particularistic benefits for political support (early examples include Banfield and Wilson 1963; Scott, 1972). These perspectives are unsatisfactory because they are often unable to account for cross-national or sub-national variation in clientelistic

[2] I use the term 'state administration' here to denote state organs in a patrimonial or clientelistic system, as opposed to 'bureaucracy' which I use to refer to similar organs in systems that more closely approximate Weber's notion of rational-legal authority. Later in the analysis, for lack of a more analytically precise term, I use the label "public sector employees" to refer to individuals that inhabit state positions, keeping in mind that positions in clientelistic systems may not be "public" at all, given their role in facilitating private exchanges. I also retain Weber's notion of charismatic, traditional, and rational-legal forms of legitimate authority as ideal types, none of which exist in a pure form, and between which systems may transition.

strategies (Shefter 1977, 405-408). Institutional approaches are better able to account for how the political rules of the game mediate between structural factors and political elites' decisions to employ different electoral strategies. However, each of explanations for clientelism generally emphasize economic factors, culture, or institutions as exogenous determinants of political strategy, often at the expense of explaining how and why elites select particular institutional arrangements given the opportunity.

In this section, I briefly review existing conceptualizations of political clientelism. I then distinguish conceptually between clientelism, patronage, and corruption, arguing that corruption provides essential value to public sector positions, which are offered in exchange for support in clientelistic systems. As such, I argue for a broad definition of clientelism as social equilibrium, rather as a narrow electoral tactic. I then briefly survey existing explanations for the use of clientelism as opposed to public goods provision, and advance an argument for a theory that accounts for endogenous reform in highly clientelistic systems.

Conceptualizing Clientelism

Political clientelism is usually conceptualized as a form of linkage between citizens and their leaders. As a strategy for gaining or maintaining political control, it is often contrasted with programmatic linkage, in which politician's offer packages of

public goods to broad groups in exchange for political support (see, for example, Kitschelt and Wilkinson 2007). In contrast, Weitz-Shapiro argues that the most recent literature on clientelism has converged on a definition as the "individualized, contingent exchange of goods or services for political support or votes" (Weitz-Shapiro 2014, 6). This exchange includes both the offer of benefit, and the threat of withdrawal of the benefit or some additional punishment if political support is withheld, assuming the political patron can make a credible threat to monitor voting or political behavior (Kitschelt and Wilkinson 2007; Weitz-Shapiro 2014). Political clientelism, therefore, necessarily contains elements of inducement and coercion. Voters may receive some concrete benefit for their political support, but may also be forced to vote for a particular candidate, either directly through intimidation, or indirectly, through threats to withdraw private goods or targeted benefits.

While this definition does share several elements with other approaches in the literature, it's focus on 'individualized' exchange is particularly narrow. A broader definition allows for distribution of club goods to small groups in exchange for political support (Kitschelt and Wilkinson 2007). This definition also allows for political strategies that include the distribution of club goods, and accounts for the fact that patrons are often unable to credibly threaten specific individuals for defecting from the bargain. Going further, clientelism may usefully be conceptualized as a social equilibrium. That is given the high transaction costs for patrons in modern electoral democracies, targeted exchanges with individuals on the basis of inducements or coercion are impractical.

Provision of club goods to small groups, or coercion of aggregates of individuals,[3] reduces these transaction costs, but politicians would benefit most if individuals self-selected into a clientelistic mode of political exchange.[4] In this case, if the political system were characterized by a clientelistic equilibrium, the behavior of individuals, including elites and voters, would be conditioned by outcomes "off the equilibrium path." That is, as long as elites can credibly threaten to punish voters that get out of line, individuals will be reluctant to defect from a clientelistic network without credible information that others are likely to do the same.

In this sense, political support is guaranteed not by the specific application of inducements or coercion, but simply by the expectation one maintains access to resources by behaving in the same way as others. Conversely, one subjects oneself to the possibility of coercion if one deviates from the equilibrium, either by voting for a patron not traditionally associated with one's personal network, or by taking some action to challenge the system of political clientelism as a whole, for example, by blowing the whistle on electoral abuses or corruption. This logic leads Hale to employ a definition of political clientelism, adapted from Kitschelt (2000), as "social equilibrium in which political exchange tends to be characterized far more by concrete punishments and rewards meted out to specific individuals than by broad policies that are not targeted at

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[3] For instance, a factory manager in a company town might be able to credibly threaten all of his employees if precinct-level election results do not meet a predetermined quota.

[4] Kitschelt and Wilkinson (2007, pp. 8) refer to "motivational conditions" and "cognitive conditions" that induce voluntary compliance with the clientelistic contract.

individuals and that instead impact different parts of society according to relatively explicit, generalized rules" (Hale 2011). This definition is compatible with collective action critiques of the principal-agent corruption literature, in that it accounts for the fact that state officials in pervasively corrupt countries have little interest in enforcing anti-corruption reforms. As I explain in the next section, this definition is quite valuable in developing a theory of why public sector reform is so difficult in pervasively corrupt systems, and subsequently, how reformers can overcome the collective action problems associated with anti-corruption reforms.

The Interaction of Clientelism, Patronage, and Corruption

While clientelism, patronage, and corruption are often used interchangeably (Kitschelt and Wilkinson, 2007), and usually co-vary, each is conceptually distinct. Most specifically, I define patronage as the exchange of state resources, especially positions in the state administration, for political support. Readers will note that this definition is particularly close to narrower definitions of clientelism discussed above. However, this study takes a definition of clientelism as a social equilibrium. Within this system, state resources are one specific source of political exchange, but not necessarily the only source. In this sense, patronage is one tool with which politicians may solicit political support in clientelistic systems. Patronage is valuable in systems of clientelism because of incentives and coercion associated with corruption. Public sector positions are valuable private goods exchanged for political support because of opportunities to collect bribes at

lower levels, and extract rents or collect tribute at higher levels. In short, corruption provides public sector positions with additional value that enhances their usefulness as a political tool within clientelistic systems.

Anticorruption reforms, therefore, deprive political elites of a significant tool through which to secure political support. With uncertain outcomes in the long term, public sector positions carry little job security and no guarantee of a living salary. Without opportunities for corruption, therefore, these positions are not as valuable to potential supporters. Furthermore, anticorruption reforms deprive politicians of opportunities for coercion. Coercion is a central tool for keeping political supporters in line in clientelistic systems. Incumbents may not be able to level credible threats to deprive supporters of positions without the associated opportunities to collect rents. Furthermore, a commitment to anticorruption reforms deprives politicians of opportunities to use blackmail as a form of control (see Darden, 2001; 2008). In this sense, corruption provides a large part of the attraction of public sector positions as private goods exchanged for political support in clientelistic systems. It operates both as a buy-in to the system, and as a source of coercion that political elites can use to keep supporters in line.

Theoretical approaches to clientelism

Explaining anti-corruption reforms in the public sector is therefore a problem of explaining how and why politicians choose to deprive state offices of their private value. Framed in the terms of the literature on political clientelism and elite-mass linkages more broadly, anti-corruption reform is a matter of how politicians determine which mixture of public and private goods to provide to citizens in exchange for political support.

Early approaches to clientelism emphasized a particular form of social and political organization that was generally assumed to erode with changes in the national economic structure (Banfield 1967; Banfield and Wilson 1963; Scott 1972). These approaches tended to take elite-mass linkages as structural, not necessarily dependent on strategic calculations by self-interested politicians. As such, these explanations of clientelism as a form of social organization are roughly consistent with modernization theories of political development, which posit political culture and institutions as a function of a process of change associated with industrial or post-industrial economic transitions (Almond and Verba 1989; Boix and Stokes 2003; Huntington 2006; Inglehart 1997; Lipset 1959; Przeworski et al. 2000; Putnam, Leonardi, and Nanetti 1993). These approaches provide important insight into how economic structural changes create new politically active constituencies which elites must subsequently attempt to repress, or compete to represent. However, a central critique from the elite-mass linkages literature has been that these structural approaches, taken alone, often do little to account for these strategic decisions of elites on how to deal with these constituencies. Shefter (1977), for example, critiques these "neoclassical" explanations by identifying a series of political

parties whose dominant electoral strategy (that is, public policies vs. patronage) bears no clear relationship to the dominant social base to which the party appeals (pp. 406-408). As such, Shefter offers an early institutional approach to account for supply side party offers, as a supplement to pure demand side arguments. That is, parties' electoral strategies depend not just on their customer bases, but on the institutional resources available to the party.

Following Shefter, a more sophisticated recent literature attempts to account for how economic or demographic structure interacts with institutions to affect parties' electoral strategies. A subset of this literature traces cross-sectional variation in electoral appeals to the institutional framework of political competition. Studies of Latin America (Geddes 1996) and Eastern Europe (Grzymala-Busse 2007; 2003) have found that political competition drives elites to expand appeals to include public goods. Relatedly, another set of studies debates the influence of specific electoral institutions on public goods provision (Kunicova and Rose-Ackerman 2005; Lizzeri and Persico 2001; T. Persson, Tabellini, and Trebbi 2003). With regard to identity cleavages, Chandra (2007) traces the success of patronage strategies to individual parties' organizational rules and the size of their target groups relative to the winning threshold imposed by the electoral system. This cross-sectional comparison approach necessarily takes institutions as fixed and exogenous. That is, the insights from these approaches generally do not address the development of the relevant institutions in the first place.

A different set of approaches, however, takes the endogenous development of institutions as a central focus. Several studies, for example, trace public goods provision to arrangements that increase political competition or introduce institutional veto points. The new institutional economics literature traces rulers' credible commitment to property rights or economic growth policies to the proliferation of institutional veto points (Cheng, Haggard, and Kang 1998; North 1993; North and Weingast 1989). Stasavage (2002), building on this literature on credible commitment[5], points to proto-parties' ability to create cross-issue coalitions that allow rulers to credibly commit to public goods even when formal institutional veto points are few. In these approaches, institutional arrangements are the result of rational, strategic decisions by self-interested rulers.

A related literature points to the activation of new constituencies as a trigger that drives elites to alter institutions and electoral appeals. Most generally, Bruce Bueno de Mesquita and his co-authors (Bueno de Mesquita et al. 2002; Smith et al. 2005) argue for a theory of endogenous institutional selection, in which elites' linkage strategies depend on the relative size of the number of citizens with an institutional role in selecting leaders, and the minimum coalition from that group whose support a candidate must secure to win or maintain office. In this approach, public goods are more viable as an electoral strategy where this coalition is large relative to the size of the institutional selectorate. This conceptual argument roughly comports with Acemoglu and Robinson's (2001; 2006) argument that self-interested rulers facing threats of revolution may rationally expand the

[5] Specifically, North,1989.

voting franchise as a credible commitment to redistribution. More specifically to the topic of corruption, Popa (2015) presents an account of endogenous reform in which elites, conditional on a relatively powerful legislature, rationally choose reform as a response to increased government spending as a result of war pressures.

This study is heavily informed by these endogenous institutional approaches. However, it diverges from these arguments and therefore supplements this literature in two respects. First, where exogenous approaches tend to focus on relatively well-established parties in stable party systems, and endogenous approaches tend to emphasize credible commitment outside of developed democracies, I focus on a subset of contemporary intermediate cases. The following arguments apply to political systems that have been labeled generally as hybrid regimes—those with formal democratic institutions, including elections, but where competition is shaped largely by informal power associated with executive offices. More recently, departing from the democratic transitions paradigm, Hale has helpfully characterized these systems as governed by "patronal politics"—cycles of political contestation and closure associated with processes of coordination around competing patron-client networks (Hale 2014; 2005b). Second, where reformers in these systems come to power, they are afforded a greater opportunity to shape the rules of the game than are representatives of public goods constituencies in relatively durable democracies. Given the importance of corruption as a source of informal power available to politicians in these systems, I argue that public sector reform depends in large part on the interaction of reformers' choices of party building strategies

and the subsequent negotiation of formal institutional arrangements—specifically, the constitutional design of the executive.

Research Design: Controlled Comparison Case Studies

To demonstrate this argument, I employ a controlled-comparison process tracing of three cases of public sector reform efforts in highly clientelistic political systems—Ukraine following the 2004 Orange Revolution, the Republic of Georgia following the 2003 Rose Revolution ; and Ukraine following the 2014 Euromaidan protests. Reform efforts in these three cases provide an excellent opportunity to isolate the effect of party building strategies on reform outputs by holding constant several structural variables that are often identified as determinants of corruption levels. The cases exhibit variation across the range of reform outputs, which Georgia implementing a dramatic set of anti-corruption reforms following the 2003 Rose Revolution, and Ukraine exhibiting a stalled reform effort after the 2004 Orange Revolution. Furthermore, the reform efforts in Ukraine following the Euromaidan protests in 2014 provide an additional level of controls by introducing a temporal comparison. While the outcome in post-Euromaidan Ukraine is still uncertain, I characterize this reform process as a middle case in which elites have implemented several politically costly reforms, especially relative to the post-Orange Revolution era, but have not yet achieved or attempted the degree of reform as in Georgia following the Rose Revolution.

I selected the cross-sectional comparison between Georgia and Ukraine (2004) according to the logic of a most-similar systems design. In keeping with the method of difference, Georgia and Ukraine differ clearly on the outcome of interest, the implementation of public sector reform efforts, but are similar on other important variables that might provide alternative explanations for civil service reform. First, these cases share similar initial conditions after two critical junctures—the collapse of the Soviet Union, and their respective "Color Revolutions." Both states shared the institutional legacy of the Communist Party and the command economy, including a legacy of a patrimonial bureaucratic character (Kitschelt et al. 1999). Following the collapse of the Soviet Union, both faced the challenge of a simultaneous political and economic transition in which there was no decisive break with the kleptocratic Soviet *nomenklatura* (Aslund 2001). Prior to their respective "Color Revolutions" Georgia and Ukraine experienced similarly high levels of corruption, according to major corruption indices. Structurally, Georgia and Ukraine are similar in per capita income[6], natural resource rents,[7] strategic security concerns vis-a-vis Russia, proximity to Europe[8], and in European Union relations.[9] Arguably, due to their internal security situations, Ukraine may have been in a better position to succeed with civil service reform as Georgia

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[6]The World Bank World Development Indicators.

[7]Ibid.

[8] Georgia is geographically farther from Europe, and therefore arguably less likely to be seriously considered for accession to Euro-Atlantic institutions.

[9] Both are European Neighborhood Policy Partners.

experienced a period of civil war following independence, lasting until approximately 1994. In this sense, Georgia might be considered a "least likely" case for reform, given its internal security concerns and culture of pervasive corruption that characterized the post-Soviet era.[10] Finally, both experienced a popular impetus toward anti-corruption reform in the form of mass movements that overthrew corrupt leaders in the early 2000s. Thus the comparison of Georgia and Ukraine should allow for the control of several prominent alternative explanations for reform in a way that isolates the variation in the process of party building and institutional selection, and its effect on the reform process.

The regime change in Ukraine following the 2013-2014 Euromaidan protests presented an opportunity to add a temporal aspect to the comparison. While the outcome is still uncertain, I characterize Ukraine (2014) as a middle case. Relative to the post-Orange Revolution governments, the post-Euromaidan president and government have implemented several politically costly reforms geared toward reducing corruption at all levels. Furthermore, the temporal comparison of reform efforts within Ukraine provides an additional level of control for structural variables.

First, however, Chapter 2 elaborates the central theoretical argument of this study —that the dilemmas inherent to clientelistic politics create a problem of credible commitment for ostensibly reformist challengers. Specifically, the political role of corruption in clientelistic political systems creates a politician's dilemma, or a tradeoff

[10] Of course, the conflict in eastern Ukraine in 2014-2015 has significantly complicated reform efforts.

between the pursuit of long-term and uncertain benefits from public sector reform. This tradeoff compounds an existing dilemma of coordination in clientelistic systems, in which political and economic elites, as well as public sector employees, must continually evaluate which candidate(s) are likely to control formal offices, so as to maintain ongoing access to state resources.

These dilemmas work together to create a problem of credible commitment for emerging reformist challengers. Faced with these dilemmas of clientelistic competition, even good faith reformers will be unwilling to abandon corruption as a political tool unless they are confident other elites will do the same. Chapter 2 argues that an emerging challenger's party building strategy provides one possible mechanism of credible commitment to reforms. Challengers that mobilize opposition parties on the basis of new constituencies provide a credible commitment to reform because these constituencies act as a constraint on the self-interested behavior of political and economic elites. In contrast, challengers that contest elections with parties that aggregate existing clientelistic networks incorporate no such constraint, serving to perpetuate the existing dilemmas that impede credible commitment.

Chapter 2: The Reformer's Dilemmas, Political Parties, and Credible Commitment to Reform

To reiterate, I characterize clientelism as a social equilibrium in which politicians offer private and club goods to individuals or small groups in exchange for their votes or political support. In this context, patronage, or the privatization of state resources in the form of jobs, higher level positions, and preferential treatment, is one tool with which politicians may buy support. Corruption, in turn, both imbues public sector positions with greater value, and offers politicians greater opportunities for coercion. Explaining the success or failure of anticorruption reform in the public sector, therefore, requires identifying why elites in highly clientelistic systems would be willing to forgo a valuable political tool. In this section, I develop a theory of public sector reform in clientelistic systems that accounts for both endogenous and exogenous effects. I argue that anticorruption reform in clientelistic systems is impeded by two related dilemmas—a politician's dilemma for incumbents and challengers, and a coordination dilemma at two levels—for political and economic elites, and for public sector employees.

In short, clientelistic systems create incentives for both incumbents and challengers to falsify their reform preferences. As a result, neither political elites nor public sector employees can be certain if any given challenger actually intends to pursue reforms, and will be reluctant to change their behavior unless they believe other actors in

their cohort are likely to do the same. A crucial implication of this framework is that these dilemmas can impede reform by a successful challenger, *even if* the challenger truly intends to implement a good faith reform effort. Successful anticorruption reform programs in clientelistic systems therefore require challengers to credibly commit to reforms.

Drawing on arguments from institutional economics and political party development, I argue that particular strategies of political party development provide challengers with mechanisms of credible commitment, which at different stages exert both endogenous and exogenous effects on reform outcomes. Specifically, challengers that widen their constituency via relatively ideological or programmatic political parties at early stages are more likely to facilitate the coordination of opposition elites, and to adopt institutional arrangements that provide a credible commitment to public sector employees. In this sense, parties exert an exogenous effect on reform by constraining political appointments and policy agendas. In short, challengers that build parties based on ideas or programs at early stages are able to credibly commit reform intentions to public sector employees at later stages by abandoning clientelistic appointments and prioritizing public goods.

The implementation of anticorruption reforms in clientelistic systems therefore depends on several variables—challengers' party development strategy, elite coordination, institutional negotiation, appointment strategy, and policy agenda. However, these variables are unlikely to covary in predictable ways across all cases.

Rather, the interaction of these variables at different stages of the reform process is likely to produce a variety of different pathways to reform outcomes. As such, I argue for a path-dependence approach to explaining reform processes. Outcomes are sensitive to initial conditions and are highly contingent—early choices constrain the options available at later stages of the process, and as stages progress, paths established by earlier decisions become increasingly difficult to reverse.

The Reformer's Dilemmas

Ostensible reformers in clientelistic systems face two dilemmas that impede good faith reform efforts. The central problem for emerging reformers is a politician's dilemma, or a tradeoff of the short-term, more certain electoral benefits of patronage for the long-term, less certain electoral benefits of public goods provision (Geddes 1996). This dilemma creates incentives for incumbents and challengers in clientelistic systems to falsify their reform preferences. This uncertainty exacerbates an existing coordination dilemma, in which political and economic elites must constantly re-evaluate the likelihood of a ruling coalition emerging around a set of potential challengers, so as to retain access to state resources if the incumbent is replaced (Hale 2014; 2005b). This uncertainty is compounded for elites who, although they might actually prefer reform, also must assess the likelihood that other potential reformers are actually willing to alter their electoral strategy portfolio to emphasize public goods. Therefore, pro-reform elites

in clientelistic systems must therefore coordinate their behavior in two respects: 1) in determining which candidate is likely to have access to state resources and 2) in setting the mixture of public and private goods in their election strategy portfolios. Finally, a coordination dilemma among public sector employees impedes reform efforts. Again stemming from the incentive for elites and challengers to falsify their reform preferences, public sector employees will be reticent to change their behavior even if an ostensible reformer comes to power. Due to the selective allocation of rewards and punishments in clientelistic political systems, these risk-averse employees will try to avoid being singled out from others. As a result, in a clientelistic system in which corruption provides value to public sector positions, employees will continue to engage in bribe-taking in the absence of credible information about the behavior of other employees.

The Politician's Dilemma

The central dilemma that impedes public sector reform efforts in clientelistic political systems is what Geddes (1996) terms a "politician's dilemma." Geddes characterizes public sector reform as a public good, and therefore subject to classic problems of collective action. Since a public good is both non-excludable and non-rival, each individual's best outcome is to free ride—let others undertake the costs of providing the good and then enjoy the results.[11] Since all group members face the same incentive structure, the public good tends to be under-provided. Specifically with regard to public

[11] Conversely, each individual's worst outcome would be to undertake the costs of providing the good while all other actors free ride.

sector reform, all members of the polity, citizens and politicians alike, would benefit from an effective rational-legal bureaucracy, instead of corrupt, patronage based state administration. Yet, as a public good, public sector reform is non-excludable, meaning that all citizens may take advantage of it. But precisely because it is non-excludable, citizens may find it more difficult to reward the politicians that provide it.[12] This public goods nature of reform creates a dilemma for competing politicians—all would benefit if they could trust others to abandon patronage for meritocratic appointments to the bureaucracy, but given the uncertainty of reform and the difficulty of attribution, each individual politician will be reluctant to forgo the more certain electoral support derived from providing positions to their cronies (Geddes 1996).

For Geddes, then, public sector reform is a problem of credible commitment between competing politicians. That is, reform is more likely when politicians have organizational or institutional resources to reduce the costs of enforcing agreements with one another to abandon patronage. Her analysis leads to the counterintuitive solution that credible agreements to abandon patronage are most likely to be achieved when the benefits of patronage are evenly distributed among competitive parties, and when legislators have some added incentive to abandon patronage, like popular pressure (Geddes 1996). That is, when legislators with equal access to patronage perceive some potential marginal electoral gain from providing public goods, they will be more willing

[12] Contrast this with the logic of clientelistic linkages, in which politicians provide targeted goods to individuals or narrow constituencies. In this case, the quid pro quo nature of the exchange guarantees that voters know precisely who is providing benefits.

to trade off patronage for reform benefits. Conversely, legislators in parties with a comparative advantage in patronage would have little incentive to deviate from the status quo, even facing popular demand to reform.

Geddes's framework provides a useful way of thinking about the difficulty of public sector reform in systems characterized by high degrees of political clientelism. In particular, her emphasis on reform as a collective action problem and a problem of credible commitment draws attention to the incentives facing politicians that are largely absent from neoliberal approaches to anti-corruption reform. I argue that this logic can be extended to account also for informal political institutions, which often interact with formal institutions to affect a wide variety of outcomes (see Helmke and Levitsky 2004, for examples). Geddes's emphasis on formal institutions at the expense of informal institutions has two major consequences for the extension of this logic beyond the cases she analyzes[13].

First, reform or maintaining patronage are not the only strategies incumbents in clientelistic systems pursue. Incumbents who rely on a corrupt state administration to maintain power, and emerging challengers, have an incentive to publicly falsify their reform preferences. That is, knowing public sector corruption is unpopular with the public, they may advertise reform without having any real intention of implementing it.

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[13] Geddes tests her hypotheses against a set of cases that have exhibited 15 years of continuous democracy, a condition that does not apply to a large set of developing countries that nonetheless exhibit high levels of political clientelism and public sector corruption.

Control of formal political institutions allows incumbents to order public sector reform efforts by executive action or legislation, and blame the subsequent lack of enforcement on corrupt or incompetent bureaucrats. The adoption of formal legislation or executive action, therefore, should not be expected to produce reform,[14] but instead is often part of a hedging strategy through which incumbents attempt to maintain broader public support even when the corrupt state administration they rely on for narrow political support is unpopular.[15] Of course, in all cases, challengers to the incumbent will find it politically advantageous to criticize cronyism and corruption while promising reform. The key question, then, is what factors allow challengers to make these promises credible. In any case, the politician's dilemma creates a strong incentive for cynical political elites to falsify their reform preferences. This uncertainty around the intentions of incumbents and challengers further complicates the issues of credible commitment that Geddes describes.

The Elite Coordination Dilemma

The second consequence of Geddes's focus on democratic politics within established formal institutions is that it actually underestimates the credible commitment problem facing pro-reform elites in highly clientelistic political systems. In systems governed by an interaction of formal and informal institutions, politics is often not

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[14] It should be noted here that a stronger indication of actual reform, especially with regard to the executive, is appointment strategy, an emphasis which I retain.

[15] In many cases, legislation and executive order of this sort is often passed to attract foreign donor support, which in turn may be used to shore up the incumbent's political position without actually implementing any of the reform initiatives.

characterized by stable political parties competing according to stable and widely recognized electoral rules. In particular, in a subset of cases characterized by pervasive clientelism that Hale (2014) has called "patronal" systems, politics is beset by elite coordination dilemmas, in which political and economic elites must continually shift allegiances according to evaluations of which clientelistic network is most likely to have ongoing access to formal state institutions and associated resources (Hale 2005b).[16]

Specifically, patronal politics is characterized by informal power associated with strong formal executive offices. This informal power is derived from the targeted distribution of rewards and benefits to political and economic clients. For Hale, this system creates a dynamic in which the executive and his clients are mutually dependent on quid pro quo exchanges of resources for political support. The president may reward or punish clients individually, and as a result, clients can effectively challenge the incumbent only collectively. Lacking information about the likely behavior of other elites, individuals will be reluctant to challenge the executive and risk being singled out for punishment (Hale 2005b, 137-139).

In equilibrium, elite expectations are relatively stable. However, around potential points of power transfer, including formal term limits, death or illness, military defeats, or drops in popularity, patronal presidents are subject to a lame duck syndrome that forces

[16] Of course, elite coordination dilemmas are not unique to patronal systems or clientelistic systems more generally. Cox (1997), for example, identifies a series of coordination dilemmas for elites, one of the most important of which is candidate selection.

political and economic elites to re-evaluate who is likely to control the informal resources associated with formal positions. For Hale, this calculation is complicated by two factors —estimating which side will win, which involves in part estimations of around which candidate elites will coordinate; and if the incumbent is able to anoint a successor, whether that candidate can credibly commit to honoring the previous coalition agreement (Hale 2005b, 139-140).

In terms of the process of public sector reform in these systems, elites' incentive to misrepresent reform preferences compounds this coordination dilemma in a couple of respects. First, in situations in which an incumbent is unpopular due to corruption, even political and economic elites with an interest in reform will have difficulty coordinating around a true reform candidate. That is, elites must figure out not only which candidate is likely to win, or which candidate will attract the support of other elites, but faced with several potential challengers, reform elites will have trouble determining which, if any, are actual reformers.

Second, the problem of credible commitment to previous coalition agreements need not apply only under the condition that a previous incumbent's preferred successor comes to power. Even where ostensible reformers come to power at the head of some popular anti-corruption impulse, challengers must assemble an opposition coalition of political and economic elites. Furthermore, reformers will also attract the support of elites previously associated with the incumbent as they attempt to secure ongoing access to

state resources. The end result is that an ostensible reform coalition comes to power in which none of the members can be sure that any of their coalition partners are actually committed to forgoing patronage in favor of reform.

Furthermore, high level positions in the state administration, including minister and deputy minister positions, are often doled out to coalition members in exchange for support. Since the positions with the most formal and informal powers, including politically valuable ministries like the interior ministry, finance ministry, and state security agencies, and those with the largest budgets, often including public works agencies or ministries responsible for social spending, are allocated on the basis of value to the coalition, the most politically competitive elites will be reluctant to weaken their politically valuable tools by trading patronage for reform. That is, a finance minister who represents a coalition partner of an incoming president might be unwilling to reform a politicized finance ministry if an official in the president's own network heads the interior ministry, especially if the finance minister's network anticipates competing with the president's network in future elections. In this sense, the threat of electoral pressures to reform is not Przeworski's (1991) argument that reforms are painful to the population, who punish reformers at the polls as a result, but that the political ambitions of individual reformers can lead them to avoid implementing reforms in the first place.

In short, coordination effects are not limited to the highest executive offices. Rather, the use of upper level positions as patronage to reward supporters creates a

credible commitment problem for all members of the incoming coalition, *even if* all coalition members are good faith reformers. Naturally this problem will be compounded where reformers are forced to accommodate elite members of the previous ruling coalition in order to gain power.

In these systems, therefore, politics is shaped by institutional dynamics different from that which Geddes describes in relatively stable democracies with high levels of clientelism. In particular, reform is unlikely to emerge as a result of stable political parties with equal access to patronage, but rather must result from a process of coordination around a coalition of emerging challengers to an incumbent patron. In these cases, the incentive for elites to falsify reform preferences created by the politician's dilemma further complicates this process of elite coordination around reform challengers. In the first place, even political and economic elites with an interest in public sector reform will have difficulty coordinating around the "right" reformer. In the second, this incentive impedes the ability of competitive reform elites to credibly commit to abandon patronage in favor of reform if they are able to achieve control of formal institutions. If the association of informal powers with distribution of patronage informs a process of elite coordination around inhabitants of formally powerful offices, even good faith reformers will be reluctant to weaken the formal office they inhabit by abandoning patronage in favor of reform, unless they are confident that competing elites will do the same.

The Public Sector Employee Coordination Dilemma

The incentive to falsify reform preferences that impedes elite coordination creates a similar dilemma of coordination at the level of public sector employees. Public sector jobs are an important source of patronage because they are effectively private goods—both excludable and rivalrous. As such, they facilitate incumbents' targeted use of rewards and punishments toward individuals that inhabit those positions to induce their political support. Furthermore, corruption is an important source of value associated with these positions, since it provides potential material reward to employees, and also subjects them to coercion (Darden 2001; 2008). Since the corruption associated with the public sector is an important part of the system of politics, reform is therefore a matter of coordinating public sector employees' expectations about the conditions of their employment.

The logic of this argument resembles that of the elite coordination dilemma that characterizes patronal systems. In return, for their positions and associated resources, public sector employees provide support to their patron,[17] usually not the executive directly, but a mid-level broker who has received a formal position in exchange for political resources. Again, while the patron can sanction and reward individual employees, the patron's position in the state administration is undermined only by the coordinated defection of a significant bloc of his employees. Given this set of incentives,

[17] As in the larger logic of patronal politics, support comprises both political mobilization resources and support in terms of implementing policy through the state administration.

and under the assumption that public sector employees want to retain their positions and extract additional material resources,[18] the behavior of public sector employees is governed by a coordination game in which they might converge around one of two equilibria—the clientelistic status quo with systemic corruption, or a reformed rational-legal bureaucracy with isolated, opportunistic corruption.[19] For the sake of argument, I assume that public sector employees are indifferent between strategies, but have ordered preferences over outcomes. That is, public sector employees are equally willing to be corrupt or be honest,[20] but given the capacity of their bosses to sanction and reward them individually, generally prefer to behave like most of their colleagues. In rational-legal bureaucracies, employees generally prefer to be honest. In highly corrupt state administrations, employees generally prefer to be corrupt, or at least refrain from taking principled stands against corruption. In either case, as a general rule, individual employees want to avoid sticking their necks out and subjecting themselves to sanctions.

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[18] Rose-Ackerman (1978) treats this tradeoff in detail, though it is largely irrelevant to this analysis. It will suffice to assume that extraction is expected to decline as formal salary and benefits increase, if politicians' commitment to increasing formal salary and benefits is credible.

[19] As opposed to systemic, as is the case in clientelistic systems. This formulation of corruption and reform as distinct equilibria is treated theoretically by Cadot (1987) and Andvig (1990). This formulation also provides a linkage with neoliberal theories of corruption discussed earlier. As the system more closely approximates a rational-legal equilibrium, the principal-agent model is more likely to apply.

[20] Several approaches note that corrupt officials may actually have a strong preference for honesty, implying that corruption is often social or politically compelled (see Besley, 1993; Klitgaard, 1991; and VanRijckeghem, 2001). Of course, this assumption is a simplification. The state administration is likely to be composed of a distribution of employees, some of which are likely to prefer corruption, and many of which might prefer honesty. Furthermore, the employees are likely to self-select into particular agencies depending on their individual type. Individuals with a strong preference for honesty might select into positions with limited opportunities for corruption, like foreign ministries. Conversely, individuals with a strong preference for corruption might be more likely to apply for jobs in the police, licensing agencies, or customs agencies, with plentiful opportunities for predation.

Political Parties as a Credible Commitment Mechanism

As I have argued above, anti-corruption reforms in clientelistic systems are therefore complicated by three related dilemmas. First, politicians face a dilemma in which they must weigh the long-term, uncertain benefits of public sector reform against the short-term, certain benefits of doling out positions in the state administration to political cronies. This "politician's dilemma" creates incentives for incumbents and challengers in these systems to misrepresent their preference for reform. Second, this uncertainty surrounding elites' reform preferences compounds a coordination dilemma at the elite level. Even political and economic elites with a genuine interest in reform will have difficulty coordinating around a good faith reform challenger, and once in power, will be unwilling to implement reforms in the absence of information about the willingness of their coalition partners to implement reforms. Third, facing uncertainty about the reform intentions of their political patrons, and therefore about the likely behavior of their colleagues, public sector employees will be unwilling or unable to stop engaging in corruption.

However, these coordination dilemmas might be mitigated if emerging reformers could credibly commit to reform. Drawing on the new institutional economics on credible commitment, and the literature on political parties, I argue that emerging reformers in clientelistic political systems can facilitate a credible commitment to reforms through an

early strategy of opposition party building. Specifically, challengers who incorporate a broad constituency into an interest-aggregating political party at the early stage of challenge to the incumbent are more likely to establish a credible commitment to reforms than those that rely on aggregations of patron-client brokers (Cruz and Keefer 2010; Keefer 2007). In early stages of the reform process, party building exerts endogenous effects on reform. That is, reform-oriented challengers attempt to create political parties to advance their individual interests, primarily to gain and maintain office, but subsequently to implement reforms. Programmatic or ideological appeals at this stage, therefore, serve the challengers interest by serving as a focal point for reform minded elites. Highly coordinated elites, in turn, are able to shape formal institutions to provide a credible commitment to employees that their patrons are willing and able to introduce and enforce anticorruption reforms. Once emerging reformers have created party organizations and formal institutions that advance their primary interest in gaining and maintaining office, the early party-building strategy exerts exogenous effects on reform by constraining appointment strategies and policy agendas of the new incumbent. Reformers who have incorporated new constituencies into relatively interest-aggregating parties at early stages will be able to abandon patronage appointments to high level positions and prioritize public goods policies, thus mitigating uncertainty between agency heads and their employees about elites' mutual willingness to implement reforms.

Credible Commitment in the New Institutional Economics

The new institutional economics literature on credible commitment emerged in part to explain solutions to a similar dilemma faced by rulers. In many respects, the politician's dilemma resembles an "authoritarian dilemma" (Campos and Root, 1995), in which rulers have difficulty encouraging investment because they cannot credibly guarantee property rights given their ability to change property rights institutions at will (Cheng, Haggard, and Kang 1998). This dilemma is a specific case of a more general problem in the history of economic and political development. As organizations with a comparative advantage in the use of violence, states that are strong enough to guarantee property rights are strong enough to confiscate property (Weingast 1993, 287, quoted in Frye 2004, 453). The central problem then for rulers was how to grow the shared economic pie, even if only for the purpose of gaining personal wealth from it. The solution to this dilemma, from the new institutional economics perspective, was for rulers to select a set of political institutions that would constrain their future capacity to confiscate property, thus providing a credible commitment of property rights. In practical terms, these constraints took the form of delegating authority to representative legislatures (North 1993; North and Weingast 1989; Stasavage 2002) or autonomous bureaucracies (Cheng, Haggard, and Kang 1998) in order to increase the number of institutional "veto points" at which other political actors might block any initiative to infringe on property rights.

The literature has identified a variety of mechanisms through which commitments might be made credible. Shepsle (1991, quoted in North 1993) distinguishes between two

general types of credibility. First, motivational credibility refers to commitments that the issuer wants to keep at the time of performance. That is, commitments can be credible if the incentive to make a commitment is compatible with the incentive to keep it. Since the issuer has no incentive to renege on the agreement, motivationally credible commitments are self-reinforcing. Second, imperative credibility refers to commitments that the issuer is forced to keep because of constraints or coercion (external or self-imposed) that prevent him or her from acting otherwise. As such, imperative credibility is required to maintain agreements in which the issuer faces a different set of incentives in making the commitment than in following through on it, as is the case with the two dilemmas discussed above.

Both types of credibility can facilitate public sector reform in clientelistic political systems. First, the reformer's dilemmas ensure that an emerging reform challenger's *ex ante* and *ex post* incentives are not necessarily compatible. A reformer may build a candidacy around promises of reform, fully intending to deliver on those promises if elected. However, once in power, the reformer may find that maintaining the use of patronage and corruption is necessary to retain office or for re-election. According to the truism, there is a difference between campaigning and governing. However, if an emerging reformer's incentives during the campaign challenge match those of governing, the commitment to reform would be motivationally credible, and therefore self-enforcing. In practical terms, if challengers can effectively coordinate elites and structure formal institutions to tilt the electoral playing field in their favor, his electoral incentives while

governing would favor following up on campaign promises to reform. Put another way, motivational credibility serves an *enabling* function by insulating a coordinated reform team from electoral pressures and opponents with a vested interest in the old system of corruption and clientelism.[21]

Second, reform challengers may find it in their own interests to constrain the strategies available during the process of governing. In terms of public sector reform, challengers might wish to maximize their chances of re-election once they have gained office. Due to the easy availability of mobilization resources in clientelistic systems, even well-meaning reformers will be tempted to use the state administration to retain office, if only to attempt to implement reforms at later stages. However, it might be possible to achieve both preferences (that is, maintaining office and implementing reforms) if emerging reformers could constrain their electoral strategies to programmatic or ideological appeals.

If at early stages the challenger can incorporate a constituency outside of traditional patron-client channels during the campaign, his or her electoral incentives while governing would favor rewarding this constituency by providing public goods—in this case, meritocratic appointments and prioritizing public sector reform. That is, having

[21] Of course, this formulation relies heavily on the assumption that the challenger is an actual reformer, and not a typical mimic, who would be encouraged to shape formal institutions maintain an authoritarian kleptocracy. The argument that multiple institutional veto points work to impede reforms is also at odds with the larger literature on credible commitment, which usually point to rulers' self-interest in disabling their own discretion. I treat these arguments briefly at the end of this section.

incorporated a constituency outside of traditional patron-client networks, continuing a strategy of providing private and club goods, including state positions, to key supporters would increase the ongoing electoral costs of marginalizing the newly incorporated constituencies. In short, well-intentioned reformers would have make appointments on a meritocratic basis and prioritize public goods, rather than succumbing to the temptation to buy short-term electoral support from patron-client brokers with state positions and private or club goods. In this sense, opposition party building strategies that mobilize external constituencies serves a *constraining* function by limiting appointment strategies and policy agendas.

Some readers will note that these forms of credibility work at cross-purposes. If motivational credibility works to reconcile *ex ante* and *ex post* incentives, thus enabling reformers to implement their program, then imperative credibility, in the sense that it constrains the options available to reformers, should not be necessary. In our terms, if a reformer has an incentive to offer reforms that matches the incentive to implement them, no self-imposed constraints should be necessary. I offer two rebuttals to this critique. First, pure motivational credibility and full imperative credibility may be understood as ideal types that may be approximated, but never fully achieved. In terms of public sector reform, no reform coalition, no matter how cohesive, will be able to fully insulate itself from popular pressure, especially where elections are widely accepted as the legitimate mechanism for achieving power. *Ex ante* and *ex post* incentives, therefore, never perfectly align, and reform incumbents will still face some pressure to maintain some

patronage networks and associated corruption. Second, these types of credibility may operate at different stages of the reform process. That is, imperative credibility may be a necessary first step for reformers to secure an institutional arrangement that allows for motivational credibility among all systemic political actors over the long term.

Political Parties and Credible Commitment

I have argued that public sector anti-corruption reform in clientelistic systems is a problem of credible commitment stemming from a series of dilemmas facing even well-intentioned reformers. In this section, I advance an argument that the interaction of two variables—reformers' party building strategy and formal institutional design—affect political elites' ability to credibly commit to public sector reform. The effects of these variables are endogenous and exogenous at different stages of the reform process. At early stages, reformers' opposition party building strategies and institutional selection advance their primary interest in gaining and maintaining formal office. At later stages in the process, these early decisions exert exogenous effects on reform outcomes by shaping appointment strategies and policy priorities.

Specifically, the argument proceeds as follows: in deciding how to challenge incumbents, reformers may build political parties by either relying on existing patron-client brokers, or by incorporating new constituencies using programmatic or ideological

appeals (Cruz and Keefer 2010; Keefer 2007; Keefer and Vlaicu 2008). Where challengers choose the latter strategy, the resulting parties perform an interest-aggregating function that serves to mitigate the coordination dilemma between reform-minded elites. More coordinated elites, in turn, are able to adopt institutional arrangements that mitigate electoral competition between members of the reform coalition. As a result, the new reform incumbents are able make administrative appointments of officials who are willing to implement meritocratic recruiting at lower levels of the bureaucracy, and to prioritize reform in their policy agenda.

Conversely, when challengers aggregate the mobilization resources of existing patron-client brokers, the resulting opposition parties serve no such interest-aggregating function, providing simply an umbrella for narrow distributional coalitions with a temporary confluence of interests. In this case, competitive elites bargain over formal institutional channels to advance their narrow interests. As a result, institutional arrangements incentivize use of the state administration to advance narrow political and economic goals, through use of positions as political rewards, and the prioritization of targeted private and club goods at the expense of reform.

Overview: Functions of Political Parties

There has long been a consensus that political parties are essential to democratic governance. Early approaches to the development of party systems emphasized

institutional, structural, or cultural cleavages in the polity that leads parties to represent a particular group interest (Duverger 1963; Lijphart 1995; Sartori 1976) are prominent examples). A second line of inquiry has adopted a rationalist approach, emphasizing that parties are organizations that work to reconcile the inconsistent demands of individuals. From this perspective, parties are organizations that facilitate interest articulation and aggregation so as to mitigate problems of social choice (Aldrich 1995; Kitschelt et al. 1999, 46).[22] Generally conceptualizing parties as operating in a market framework, this approach equates parties to firms that bundle political policies into branded packages for sale to voters, who select the bundle of policies that best approximates their individual preferences (Aldrich 1995; Downs 1957; Hale 2005a). From this perspective, parties are endogenous—politicians will employ them when they help to achieve their individual political ambitions. When parties do not, or relatively cheap substitutes are available, politicians will pursue other options (Aldrich 1995; Hale 2006; Kitschelt et al. 1999; Shefter 1977).

One particular strand of this approach emphasizes parties' interest aggregating function with regard to public goods provision. This approach emphasizes this aggregating function as a mechanism through which elites can constrain the actions of other elites (Gehlbach and Keefer 2012). That is, if politics is a market in which political elites offer policies to citizens in exchange for votes, voters face high transaction costs in several respects. First, voters must invest heavily in time and resources to understand

[22] That is, no voting system can produce an aggregate outcome that is consistent with the preferences of each of its constituent individuals Arrow (1951).

political issues and collect information about how each candidate's proposed policies are likely to affect issues of interest. Second, enforcement of the contract is difficult or impossible. Again, gathering information on reputations or the likelihood of each candidate to follow through on campaign promises is costly, and voters face significant hurdles of collective action in holding politicians accountable through elections. These transaction costs are compounded if politicians offer public goods, since by definition these goods are indivisible, non-excludable, and therefore not targeted toward individual votes (Lizzeri and Persico 2001). Furthermore, in holding politicians accountable, voters face an attribution problem with respect to public goods. Since they are not targeted, voters face an additional transaction cost in determining which politicians or policies produced these goods.

With respect to public goods provision, political parties serve to reduce transaction costs for voters. *Ex ante*, parties simplify choice for voters by packaging policies into bundles or programs, which are then associated with particular politicians through branding and longer-term reputation effects. *Ex post*, this aggregation of interests as policy bundles reduces the transaction costs of monitoring and enforcement for voters by creating an organizational constituency with an interest and capacity to monitor elites within the party. That is, following Olson, voters face a collective action problem in holding politicians accountable for public policies, political parties are able to constrain elites by organizing a latent group—a smaller cadre of activists who are more willing and

able to undertake the transaction costs of monitoring politicians and holding them accountable (Olson 1965; 1984; 1986 cited in Jankowski 1988; Geddes 1996).

A critical condition of this approach applied to public goods provision is that parties must aggregate interests.[23] Indeed, political parties serve not just democratic functions, but are an instrument of incumbent stability in authoritarian and semi-authoritarian regimes. In this context, strong political parties help to organize the distribution of patronage to reward political supporters or co-opt potential opposition (Magaloni 2008; Way 2005). Parties organized around narrow political interests or private distributional coalitions will tend not facilitate public goods provisions because any associated elites and activists share the interest in securing private goods through the use of state resources.

The Independent Variable: Political Party Building Strategy

Political parties therefore serve a central role in solving collective action problems facing elites by creating a "latent" group with the ability and capacity to monitor politicians. I argue that political parties can serve as mechanisms of credible commitment for emerging reformers in clientelistic political systems. Parties perform this function through both endogenous and exogenous effects. At early stages, would-be reformers (or

[23] That is, economic interests and some other programmatic or ideological interest. Certainly parties that collect patron-client brokers will aggregate narrow interests, but not in any useful cross-cutting sense.

political entrepreneurs in the parlance of the party literature) organize political parties to achieve their primary preference of obtaining office. Political parties may help achieve this goal by attracting and coordinating elites with voter mobilization resources, or by selling a package of goods or ideas to broad parts of the electorate. In practice, all political parties combine all of these electoral strategies. However, I argue that in political systems in which clientelism is the default mode of political exchange, emerging reformers that build new opposition parties with a comparative advantage in either ideas or policy programs will be able to credibly commit to reform, provided they are able to win office. Following Shefter (1977), I refer to parties with a comparative advantage in ideas or programs as "externally mobilized" parties, while parties that draw on existing patron-client brokers for mobilization resources will be referred to as "internally mobilized parties."[24] The crucial mechanism that distinguishes relatively programmatic or ideological parties in their ability to facilitate credible commitment to reform is the incorporation of at least one external constituency with the interest and ability to monitor politicians' compliance with the organizational mission of the party.

Strategy 1: Clientelistic Appeals

The literature on forms of elite-mass political linkage has generally identified three forms of political exchange, coinciding roughly with Weber's ideal types of

[24] This distinction is, of course, imperfect. Again, all parties draw on clientelistic, programmatic, or charismatic/ideational appeals to some degree, and challengers in clientelistic systems will be able to rely on brokers without access to state resources.

legitimate authority—traditional,[25] rational-legal, and charismatic. First, clientelistic appeals serve as the baseline strategy of party building for elites in political systems characterized by pervasive corruption. Defined as the targeted, contingent exchange of private or club goods to individuals or small groups in exchange for political support (Kitschelt 2007; Weitz-Shapiro 2014), clientelistic appeals are likely to be a relatively cheap, attractive option for emerging challengers in systems that are already dominated by this form of political exchange (Cruz and Keefer 2010; Hale 2006; Keefer 2007; Keefer and Vlaicu 2004). In particular, political and economic elites representing competitive distributional networks or patron-client pyramids (Hale 2011), might be eager to place their mobilization resources at the service of emerging challenges, provided the challenger stands a reasonable chance of winning office, so as to gain a competitive advantage with respect to other elites. These meso-level patron-client "brokers" may already be associated with the incumbent, and thus may have access to national-level state administrative resources, or may have access to resources associated with local political machines or their own economic conglomerates with which to mobilize votes through bribery, vote-buying, or coercion[26]. Since these brokers have

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[25] It should be noted that the definition of clientelism I employ bears important differences from Weber's traditional authority. In particular, clientelistic exchange may be purely instrumental, not necessarily part of a normative system of social relations that was emphasized by early descriptions of patrimonialism. For our purposes, however, it bears enough similarities to be analytically useful. In particular, clientelistic exchange is likely to result from tradition, or at least a mode of exchange resulting from recent historical circumstances like the Soviet scarcity economy (Ledeneva 2013; 1998). The important condition here is that clientelism is the dominant mode of exchange among all systemic political actors at the time at which reform challengers emerge.

[26] Hale (2006, 12-14) distinguishes these mobilizational resources, or "administrative capital," from "ideational" capital" that may also be available to political entrepreneurs. The types of organizations politicians use to contest elections depend on the initial allocation of political capital available to the entrepreneur. Similarly, Kitschelt, et al.(1999) distinguish between administrative infrastructure and consensus building.

ready made financial mobilization resources, a party building strategy that relies on these brokers to build electoral reputation is roughly analogous to Shefter's (1977) concept of "internally mobilized" parties.[27]

While early work on political party building conceptualized clientelistic appeals as relatively costly for politicians, given high transaction costs associated with monitoring individuals' votes, clientelistic appeals may be a cheap, convenient source of votes where politicians are able to aggregate brokers with ready made machines that mitigate these transaction costs. Since these brokers are plentiful in systems where clientelism is the default mode of political exchange, even well-intentioned reformers will be tempted to rely on a strategy of aggregating brokers as a means to challenge incumbents.

However, reform challengers that rely predominantly on this party building strategy will have difficulty credibly committing to reforms, largely due to the dilemmas discussed above. Due to the quid pro quo nature of clientelistic exchange, in order to maintain the ongoing support of brokers, once reformers obtain office they are forced to continue to provide reliable access to administrative resources associated with appointments to state positions, and with policy agendas that prioritize policies that benefit the economic interests of the brokers and their narrow constituencies.

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[27] This terminology adapts Shefter, in that in his account, internal mobilization refers to parties mobilized strictly with access to state resources. Here, the concept is expanded to parties developed on the basis of access to entrenched patron-client networks and associated resources, including national-level state administrative resources, local administration resources, or private financial-industrial resources.

Strategy 2: Programmatic Appeals

A second mode of elite-mass linkage is programmatic appeals. This mode most closely resembles highly institutionalized party systems, in which parties bundle several policy positions, some of which may actually be incompatible, and "sell" the bundle to voters in the electoral market (Kitschelt et al. 1999, 47).

Identifying programmatic appeals in systems generally characterized by clientelistic politics is especially difficult, largely due to the politician's dilemma described above. Politicians in these systems have an incentive to advertise a wide variety of public policy positions, especially public goods provision, so as to attract voters on the margins. One symptom of this incentive is that many parties in highly clientelistic systems employ catch-all party "programs" which advertise positions on non-controversial issues like fighting corruption, ensuring economic growth, providing security, or increasing social spending. The breadth and lack of specificity in these programs results in even highly competitive clientelistic parties producing indistinguishable policy programs. As a result, programmatic appeals are impossible to identify from party programs or politicians' rhetoric alone.

However, politicians may make credible programmatic appeals by actively incorporating an external constituency with an independent reputation for advocacy or

good governance. Even if emerging reformers continue to rely largely on brokers to make clientelistic appeals, the linkage of a constituency with a reform interest with narrow economic or political interest can introduce a latent group that is able to monitor politician's pursuit of the party's shared electoral interests.

Strategy 3: Charismatic Appeals

However, institutions are not necessarily the only means for solving collective action problems. Hanson, for example, advances a Weberian approach to explaining political regimes, arguing that under conditions of uncertainty, ideology exerts independent causal effects on regime type by facilitating the collective action of political elites and party activists. Ideological political parties in uncertain environments are therefore in a better position to impose their preferences than their non-ideological counterparts. Defining ideology as, "any clear and consistent definition of the criteria for membership in a desired political order," Hanson emphasizes that it affects party formation and the resulting regime type through a specific mechanism of expanding the time horizons of members (Hanson 2010).

Ideological appeals are therefore another mechanism through which emerging reformers might build political parties. Ideology helps to mitigate the elite coordination dilemma if challengers attracts a core of followers through value-rational appeals. That is, lacking access to state administrative resources, reform challengers attract an initial core

by appealing to common ideas about what is "the right thing to do." Like minded elites may therefore be attracted to a charismatic challenger that advances an idea even if it is not instrumentally rational for them to do so. Elites within the ruling coalition will be especially reticent to defect since it would almost certainly cost them access to resource distribution networks. Ideology therefore works to distinguish a reform candidate from other elites within the ruling coalition, and to attract defections from the incumbent's network network, to develop a network of committed activists, and to attract voters.

In sum, where charismatic reform challengers are able to attract a core set of activists using value-rational ideological appeals, this core may be able to act as a latent group within a broader political party. As challengers gain momentum and attract defections from elites and activists operating on a more instrumentally rational basis, the resulting party ties its constituent interests together in an organization with a common electoral goal. The ideological cohesiveness of the latent group, in turn, is able to undertake the costs associated with monitoring elites' compliance with the organizational mission of the party, including providing public goods like reform to a diverse constituency.

Hypotheses

Since programmatic and ideological appeals avoid relying on resources associated with the state, local political machines, or financial-industrial conglomerates, these party

building strategies are analogous to Shefter's concept of "externally mobilized parties." These strategies that appeal directly to new constituencies of voters without relying on patron-client brokers are more likely to result in parties that perform a true interest-aggregating function, rather than simply collecting narrow economic interests. Therefore, programmatic or ideological party building strategies are more likely to facilitate the challenger's credible commitment to reform by incorporating constituencies with cross-cutting interests who can serve as "latent" groups capable of monitoring elites' pursuit of the organizational goals of the party, rather than the narrow economic or political interests of its elites. In this sense, externally mobilized parties serve as an *organizational* constraint that can facilitate challengers' credible commitment to reform. This argument applies to organizations the new institutional economics logic of institutional constraints as credible commitment mechanisms. In doing so, it presents a plausible account of how the lack of formal institutional veto points might actually facilitate credible commitment to reform (contra Geddes 1996; Grzymala-Busse 2007; 2003; Berliner and Erlich 2015; Kunicova and Rose-Ackerman 2005). The central hypotheses of this framework are as follows:

1) Where emerging challengers rely on aggregations of patron-client brokers (internal mobilization), elites will be less likely to credibly commit to public sector reform.

Mechanism: The lack of interest-aggregation means the resulting parties have no latent group capable forcing politicians to abandon use of public office for private political or economic gain. The resulting pressures of electoral competition with other elites representing their own interest prevents elites' collective commitment to reform.

2) Where emerging challengers rely primarily on programmatic or charismatic appeals (external mobilization), elites are better able to credibly commit to reform.

Mechanism: Interest-aggregation allows the resulting parties to incorporate a latent group with the capacity and interest to force politicians to pursue the collective goals of the party at the expense of narrow interest. Since elites worry about alienating constituencies within their own parties, they are more likely to collectively commit to using institutional resources (especially appointments and policy agendas) to pursue public goods.

A summary of the Argument: Party Development Strategy and Credible Commitment to Reform

In summary, my argument proceeds as follows: In clientelistic political systems, reforms to reduce corruption in the public sector are impeded by three central dilemmas. First, the politician's dilemma, or tradeoff between the electoral gains from patronage and gains from public goods provision, creates an incentive for political elites to to advertise

public sector reform without any intention to implement or enforce it. This incentive compounds an existing dilemma of coordination among political elites and employees in the state administration, all of whom are unsure that other members of their cohort are willing to forgo the political benefit of corruption for public sector reform. Public sector reform in clientelistic political systems is therefore a problem of credible commitment by competing political and economic elites. Even well-intentioned reformers will be unwilling to give up corruption as a valuable political tool unless they can be confident that other elites will do the same. Political party building is one mechanism that facilitates emerging challengers' credible commitment to reform. Emerging reformers that build interest-aggregating parties by incorporating constituencies outside traditional patron-client networks using programmatic or ideological appeals are better able to credibly commit to reform. Conversely, challengers, even with reform intentions, who build parties by aggregating patron-client brokers with narrow political and economic interests will have greater difficulty credibly committing to reform.

Research Approach

In this section, I outline a path dependence approach to studying the effect of party building strategies on public sector reform outputs. I argue that party building strategy affects public sector reform through a contingent process. At the earliest stages of the process, an "external" mobilization strategy using programmatic or ideological appeals facilitates the coordination of reform elites. Highly coordinated reform elites are

subsequently in a position to adopt formal institutional arrangements that insulate the reform coalition from electoral pressures. In this sense, party building strategy is endogenous, since it is employed to secure the challenger's first preference of gaining and maintaining office. At later stages, the early party building strategy exerts exogenous effects on public sector reform by constraining the appointment strategies and policy priorities available to the new incumbents. In this sense, the party building strategy facilitates credible commitment in two respects. First, the party building strategy, contingent on institutional arrangements, allows reform elites to collectively abandon the use of their formal positions for political purposes by implementing reforms, and to prioritize public goods over targeted exchanges of private and club goods. Second, this process provides a credible commitment to public sector employees, who will be more likely to play by the new rules of the game if they are confident these rules will apply to other public sector employees.

Reformers' early party-building strategies therefore affect public sector reform outputs through a set of intervening variables that include elite coordination, institutional design, appointment strategies, and the policy agenda. However, these factors are unlikely to co-vary in predictable ways across space and time. Instead, I conceptualize public sector reform as a path-dependent process in which these factors interact at different stages to produce several different possible pathways to reform, or failure to reform. These pathways are sensitive to initial conditions, and are contingent, in the sense

that decisions made at earlier stages of the process tend to constrain the options available to reformers at later stages.

I demonstrate this argument, I employ a controlled process-tracing account of public sector reform efforts in three cases—Georgia following the 2003 Rose Revolution, Ukraine following the 2004 Orange Revolution, and Ukraine following the 2014 Euromaidan protests. I conceptualize these movements as critical junctures that provided emerging reformers with the opportunity to rewrite formal political institutions in a way that would facilitate public sector reform. These cases provide an excellent opportunity to isolate the effect of party building strategies on reform because all three shared similar initial conditions prior to these critical junctures. As such, these cases provide both a cross-sectional and temporal comparison that holds constant a set of variables that are often identified as determinants of reform in the wider literature. Despite these similarities, these cases produced a range of outcomes on the dependent variable—the implementation of reforms to reduce public sector corruption. Where Georgia implemented a series of dramatic reforms to reduce public sector corruption, anti-corruption efforts stagnated following Ukraine's Orange Revolution. While the outcome is still uncertain, I situate post-Euromaidan Ukraine as a middle case; as of yet, reformers have been unable to implement dramatic reforms, but have undertaken several politically costly initiatives geared toward reducing corruption in the public sector.

Path Dependence: An Increasing Returns Argument

While many approaches to corruption focus on explaining spatial or temporal variation in the incidence of corruption, these explanations often neglect the fact that the incidence of corruption is a function of a set of conscious decisions to implement, or to not implement, reform programs. Furthermore, these decisions are quintessentially political, and therefore reform outcomes result from the interaction of decisions by relevant actors within the constraints of formal and informal political institutions. Reform, therefore, is strategic—it depends on strategies employed by actors based on their expectations about how other actors are likely to behave, given the political rules of the game. However, outcomes depend not just on one-shot games. Rather, reform depends on a sequence of strategic decisions by self-interested actors within changing political institutions. As such, a path-dependence approach provides a useful framework for understanding how these strategic decisions can produce a variety of different pathways to reform outcomes.

The new institutional economics literature argues that a path dependence concept is ideal for studying political processes like public sector reform. Following Pierson, this study adopts a relatively narrow framework of "increasing returns," or "lock-in effects" as opposed to broader assertions that events or decisions at the early stages of a process have some ambitious effect on later outcomes (2000; 252). The increasing returns approach conceptualizes economic, social, and political processes as a variety of potential

pathways, and once a process is set upon a particular path, it becomes increasingly difficult to reverse. That is, at later stages of the process, the costs of reversal or of choosing another pathway increase (Levi 1997) quoted in (Pierson 2000, 252). This conceptual framework is particularly well suited for the analysis of public sector reform processes. Pierson (2000, 257) argues that several aspects of politics, including collective action, institutional density, the use of authority to enhance power asymmetries, and complexity and opacity, make political processes likely to exhibit increasing returns. As I have argued above, a large literature on party building and its effects on electoral linkages emphasizes just these features—public goods provision is centrally a matter of solving a series of dilemmas of collective action using available organizational resources within institutional constraints. More specifically, seminal works in the new institutional economics literature employ path-dependence as a framework to understand how rulers make credible commitment facing similar dilemmas (see North 1993 for a review of this literature).

As such, I characterize public sector reform in clientelistic political systems as one such increasing returns process. I argue that party building strategy affects public sector reform through series of intervening variables in a contingent process. I demonstrate this argument through the analysis of four stages of the reform process in each case—the clientelistic equilibrium, reformer emergence and party building, power transition and institutional selection, and appointments and policy making. In doing so, I distinguish analytically between two generally opposing ideal types of reform pathways

—one in which an external party building strategy produces increasing returns that lead to reform, and one in which an internal mobilization strategy locks well-intentioned reformers onto a path of preserving the clientelistic status quo. I trace these pathways through four analytical stages.

Stage 1: Status Quo Equilibrium

The first stage describes the clientelistic equilibrium that reformers emerge to challenge. The analysis here focuses on identifying relevant political and economic actors and the political strategies available to them within existing institutional constraints. Although the analysis of this stage is necessarily descriptive, it illustrates in concrete terms how the theoretical dilemmas described above make reform so difficult, even for well-intentioned reformers.

Stage 2: Reformer Emergence and Party-Building

The second stage emphasizes the first decision that sets reformers onto a particular pathway—the selection of a party-building strategy. As noted above, emerging reformers use political parties to establish reputations with voters, and to develop voter mobilization resources and infrastructure. Reformers may develop these parties using one of two strategies. First, challengers may develop parties that aggregate existing networks of patron-client brokers. Second, challengers may employ programmatic or charismatic

appeals to attract constituencies of activists and voters outside of traditional patron-client network. Whether the appeals are predominantly programmatic or charismatic is largely irrelevant to this analysis.[28] As noted in the theoretical section, the important mechanism in the process is the formal organizational incorporation of a latent group with the interest in and ability to hold politicians accountable to the organizational goals of the party— in short, that can solve collective action problems among self-interested elites.

Stage 3: Transition and Institutional Selection

Stage three analyzes the transition through which reformers come to power and the subsequent renegotiation of political institutions. This analysis focuses on two major implications of a central institutional arrangement—the constitutional arrangement of executive power. First, the arrangement of formal executive power has important consequences for elite coordination in clientelistic political systems, and therefore affects the ability of elites to credibly commit to abandoning patronage appointments for meritocratic appointments. Second, the arrangement of executive power affects cabinet stability, which in turn affects both appointment strategy and elites' willingness to prioritize public goods over private and club goods.

[28] Politicians will likely draw on all three types of appeals to a greater or lesser extent. Again, programmatic appeals are particularly difficult to identify in clientelistic contexts due to the catch-all nature of party programs employed by status-quo parties with no interest or capacity to deliver on public goods promises.

Information and Focal Effects of Executive Institutions

First, the arrangement of formal political institutions, specifically, the constitutional arrangement of executive power, shapes patterns of clientelistic political contestation through information (signals about which clientelistic network is currently strongest) and focal effects (signals about which network is likely to be strongest in the future). Constitutions that imbue single executives with significant formal powers signal to other political and economic elites that the network centered on the patron who occupies the position will continue to control formal and informal resources over the long term. As a result, single executive constitutions tend to drive a dynamic of the coordination of clientelistic networks around a dominant patron so as to secure ongoing access to these resources (Hale 2011).

In contrast, dual-executive constitutions, or those that divide formal power between a president and prime minister, produce cycles of greater contestation by removing the focal effect advantage of a single executive. That is, while the occupancy of a directly elected presidency signals that one network is marginally more powerful than competing networks at the moment, a second executive with independent symbolic and formal power deprives elites of any useful signal about which network is likely to be marginally powerful in the future. The end result of a dual-executive constitution in clientelistic systems is therefore a cycle of competition as elites continually recalibrate their expectations about the likely behavior of other elites in the absence of institutions

that extend time horizons by providing information about which network will control formal access to state resources over the medium to long term. This competition resembles democratic contestation, but is conducted primarily through clientelistic means (Hale 2011), producing what Lucan Way (2005) has previously called "pluralism by default" with reference to Ukraine and Moldova (pp. 583-588).

Due to this effect on the future expectations of political and economic elites, this design of formal executive power is therefore an important mediating variable between political party building and public sector reform outputs. The power of appointment to high level positions in the state administration[29] is a central formal institutional resource that might be divided between presidents and prime ministers. Recalling the theoretical framework above, a central dilemma facing reformers in clientelistic systems is credibly committing to meritocratic appointments, given the political value of upper level positions, and the associated opportunities for private economic gain. That is, subject to electoral pressures, even well intentioned reformers will reluctant to forgo the political gains from patronage appointments, unless they are confident other elites will do the same.

Where elites are relatively coordinated in organized political parties, they can overcome this dilemma in one of two ways. First, they may be able to concentrate power in a single executive office so as to insulate the coalition from checks and balances and

[29] Generally, cabinet level positions and deputy ministers, but also including politically important non-cabinet positions and managers of partially or wholly state-owned enterprises.

electoral pressure. Second, short of full consolidation of formal power in a single executives, elites that are highly coordinated in organized political parties are better able to mitigate the coordinate dilemma associated with patrons and sub-patrons occupying distinct executive offices (Hale 2011, 586). That is, where a patron and sub-patron occupy independent executive offices of roughly equal formal and informal power, mutual association in an externally mobilized, interest-aggregating party mitigate this coordination dilemma. In these cases, the incumbents are more likely to use political appointments to advance the organizational goals of the party, rather than to advance their individual political ambitions. In contrast, even well-intentioned reformers that occupy dual executive offices face no such incentive to pursue collective goals, and are more likely to continue to use appointments to pursue private political or economic gain, even if simply to pursue short-term electoral interests.

This argument complements Hale's approach to explaining patterns of clientelistic political contestation as a function of formal constitutions. In his account, the formal constitution is an exogenous "treatment" treatment that drives patterns of coordination around particular clientelistic networks. Hale cites Przeworski (1991) in noting that the constitutions themselves are a function of pre-existing power configurations, and leaves open the question of other factors that provide signals of the underlying relative strength of clientelistic networks, including specific mechanisms of coordination independent of formal office (Hale 2011, 586-588). This argument posits political parties as one such independent coordination mechanism that interacts with the focal and informational

effects provided by the formal constitution. Political parties that are externally mobilized and therefore interest-aggregating provide an organizational (as opposed to institutional) mechanism to coordinate elites interested in public sector reform. Elites that are highly coordinated in an organizational sense, upon gaining office, are more likely to concentrate power in a single executive, or to mitigate coordination dilemmas in the case that "sub-patrons" occupy distinct executive office that would otherwise complicate elites' calculations about which patron was stronger.

Cabinet Stability

Second, the arrangement of formal political institutions, in particular, the power of parliament to remove a prime minster, exert effects on public sector reform outputs by affecting cabinet stability. These effects operate through the introduction of short term electoral pressures that impede credible commitment to reform in two ways: 1) by impeding elites' willingness and ability to coordinate forgoing patronage appointments; and 2) by discouraging the implementation of public sector reforms through an attribution problem.

First, where formal institutions facilitate the power of removal of distinct executives,[30] elites will have difficulty credibly committing to meritocratic appointments to high level positions in the state administration. Following the logic above, while a single executive office provides information about which clientelistic network is likely to control state resources over the medium and long term (the focal effect), formal dual executive offices effectively eliminate this focal effect advantage by signaling that competing elites both have ongoing access to formal resources associated with the state administration. This uncertainty is compounded where institutional barriers to the removal of executives are low. Subjecting prime ministers or presidents to the confidence of the legislature creates high levels of cabinet turnover in situations in which elites must continually estimate which network will have access to formal and informal resources in the future. Under these circumstances, dual executives will be especially reticent to forgo the political benefits of patronage appointments, knowing they may be subject to snap elections at any time. Again, these pressures are mitigated where coordinated elites in organized political parties occupy dual executive positions. The dismissal of a prime minister need not introduce short-term electoral competition when elites are confident the replacement will be drawn from the same political party.

Second, low barriers to executive dismissal encourage elites to prioritize tried-and-true electoral strategies of providing private and club goods to individuals and small groups in exchange for their political support. Since public goods are indivisible and non-

[30] Usually through subjecting a prime minister to the confidence of a legislature, but potentially through the power of a legislature to impeach a president.

targeted, voters face high transaction costs in enforcing programmatic electoral bargains. That is, voters are often unable or unwilling to determine exactly which politician or which policy was responsible for producing an outcome that is enjoyed by all citizens. Again, interest-aggregating political parties mitigate this problem by organizing a latent group with the interest and ability to monitor elites' compliance with the party's organizational mission. In other words, parties can help the electorate attribute to particular politicians the gains from public goods that are otherwise non-targeted and not easily attributable (Lizzeri and Persico 2001). Externally mobilized parties therefore help reformers in clientelistic political systems to prioritize public goods provision (in this case, public sector reform) over traditional electoral strategies like providing targeted private and club goods to individuals or small groups.

Stage 4: Governing

The interaction of party-building strategy and formal institutional arrangements, therefore, exerts effects on public sector reform through two primary mechanisms—appointments to high level positions in the state administration, and policy agendas. Again, voters face high transaction costs in monitoring politicians' provision of public goods, since these goods are not targeted toward individual voters or small groups. As a result, in highly clientelistic political systems, even well-intentioned reformers will be reticent to commit to meritocratic appointments and public goods provision, including

public sector reform, unless they are confident other members of the governing coalition will do the same. Externally mobilized political parties provide one such coordination mechanism for reform elites. Furthermore, formal institutional design provides a decision point that increases returns to the initial party-building strategy. That is, reform elites that initially choose an "internal" or broker-aggregating strategy will lack organizational coordination mechanisms, and will tend to select divided-executive formal institutions that help individual politicians advance their short-term electoral interests. In terms of the path-dependence argument, at the institutional selection stage, aggregated brokers will have difficulty "reversing course" by selecting formal institutions that facilitate coordinated, credible commitment to reform. Conversely, the selection of single executive institutions increases the returns to an early external party-building strategy. In turn, the selection of formal political institutions increases the costs of path reversal when it comes to the stage of governing—that is, the process of appointing high level positions in the state administration, and the development of policy agendas.

Appointment Strategy

As I suggest above, appointments to upper level positions in the state administration are one of the formal resources associated with executive office. Deriving from the focal effect described above, occupation of the executive signals to both elites and public sector employees that the network will continue to control appointments to the state administration. If elites and public sector employees are confident that the new

incumbent is capable of holding the position over the long term, and the incumbent makes meritocratic appointments at higher levels, public sector employees will be more confident that reform initiatives have teeth. That is, where highly coordinated reformers are organized into interest-aggregating political parties, and are able to secure a single executive institutional design[31], the focal effect of the executive office serves to mitigate the coordination dilemma facing both elite reformers and public sector employees. Members of the reform coalition will be more confident forgoing patronage appointments for meritocratic appointments, and public sector employees are more confident that the new appointees will continue to control the state administration into the future. Employees are therefore more likely to abide by any new anti-corruption regulations, since they are more confident their bosses will enforce the new rules of the game over the long term.

According to this logic, politicians that create externally mobilized and interest-aggregating political parties will be able to secure formal institutions that insulate the coalition from electoral pressures, and therefore will have a greater opportunity to make meritocratic appointments. Conversely, reformers that aggregate patron-client brokers, subject to short term electoral pressures, will tend to make patronage appointments from within the networks of constituent brokers. I characterize appointments as meritocratic if they fulfill either of two conditions: 1) a unilateral appointment of an official from a rival

[31] Or where a patron and sub-patron from the same externally mobilized party occupy a dual executive.

network;[32] or 2) the appointment of officials from outside of traditional elite political networks.

Policy Agenda

I have also argued that policy agendas, reflecting the relative importance of policies that provide private and club goods and those that provide public goods, are a function of the interaction of party-building strategies and formal institutional constraints. Where highly coordinated reform elites are formally insulated from short-term electoral pressures, they are better able to implement public goods that are otherwise non-targeted and non-attributable. Again, this capacity is due in large part to the incorporation of external constituencies with an interest and ability in monitoring political elites. In contrast, where reform elites are not organized in interest-aggregating political parties, formal institutions themselves become instruments reform elites must pursue in order to maintain office and check the ambitions of rival elites. The resulting short-term electoral pressures prevent even well-intentioned reformers from providing public goods, since their constituent patron-client brokers prefer target policies for which they can take credit in subsequent elections.

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[32] This may include partners in challenging the previous incumbent, or elites associated with the previous incumbent. Crucially these appointments must not be subject to quid pro quo conditions. As a result, appointments from rival networks that are required to fulfill the conditions of a pre- or post-election coalition agreement would not qualify.

Policy agendas are difficult to conceptualize in clientelistic political systems. Even where these systems might be undergoing transition to a more programmatic form of political linkage, parties generally require a long period of time over which to establish reputations for specific policy positions. In the meantime, policy agendas tend to resemble pre-election programs—catch-all policy menus designed to appeal to all voters. Furthermore, specifically with respect to public sector reform, policy can take the form of a variety of outputs—legislation, executive order, agency regulations, or shifts in personnel policy. Finally, these outputs are not necessarily exclusive of other policies, including targeted social spending or private exchanges, which may be used simultaneously to appeal to voters in the short term. The following section proposes a framework for understanding policy outputs that prioritize anti-corruption reform in the public sector by focusing on the public vs. private nature of positions in the state administration.

The Dependent Variable: Reform Outputs

Again, most approaches to anti-corruption reforms focus on explaining the incidence of corruption, as measured by perceptions or experiences, as an outcome of interest. Certainly, there are good reasons for using measures of outcomes as dependent variables. A focus on concrete results facilitates the identification of particular policies or

bureaucratic arrangements that increase or reduce corruption. Furthermore, a focus on outcomes is particularly amenable to identifying structural or institutional determinants of corruption across cases. However, a focus on policy outputs is particularly appropriate for understanding the political processes through which reform occurs. Certainly, policy outputs may have unintended effects, or no effects at all on the underlying incidence of corruption. However, this distinction is arguably less relevant for understanding reform process than are policy outputs that satisfy two conditions: 1) that incumbents reasonably believe their policies will reduce corruption; and 2) that the policy outputs are politically costly, in a politician's dilemma tradeoff sense. From a process perspective, understanding how and why politicians are able to enact policies that fulfill those two conditions is arguably more important than understanding the eventual effectiveness of particular policies in a best-practices sense. I therefore adopt a conceptualization of reform outputs as a "dependent variable."

Conceptualizing Reform Outputs

In analyzing corruption in eighteenth and nineteenth century Britain, Popa (2015) has developed a helpful framework through which to think precisely about how officials use public office for private gain,[33] and therefore what politically costly policy outputs might reasonably reduce corruption. While Popa's arguments are limited to the case of

[33] Popa argues that the elements he describes are consistent with the consensus definition of corruption as the use of public office for private gain (2015, 4)

Britain, several of the elements he describes are common to systems of corruption in modern developing countries, and thus provide a suitable framework for thinking more generally about corruption and reform. Specifically, corruption in any political system might be expected to include the following elements of the privatization of public office.

Popa argues that the perception of public office as private property was a central feature of corruption in eighteenth and nineteenth century Britain. As such, positions are generally awarded at the discretion of the ruler, but could also be bought or sold between private parties.[34] Furthermore, a central element of the private nature of public office is the use of the office to extract private resources from citizens. That is, in addition to (usually low) salaries paid by the state, officeholders charge fees to citizens in exchange for performing the duties formally associated with the office. In modern forms, this extraction ranges from officials soliciting bribes via simple extortion, or to allow citizens to jump queues or obtain licenses at low levels, to procurement kickbacks and embezzlement at higher levels. In Popa's terms, where public offices are privatized, the official is "an entrepreneur optimizing the provision of government goods in order to maximize income" (2015, 5).

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[34] Popa includes sinecures, or jobs without substantive responsibilities, as a separate feature of corruption in 18th and 19th century Britain. Accounts of political machines in the United States have also emphasized the central role of sinecures (see, for example, Ackerman's history of the Tweed Ring in New York City (2011). I subsume sinecures into the more general category of "The Nature of Public Office" for theoretical and empirical reasons. First, since these positions are allotted in exchange for political support, they are a specific case of privatization of state positions. Second, I have not found specific evidence of widespread use of sinecures in the cases under analysis. This lacuna does not mean sinecures were not employed in these systems, but does suggest that sinecures were not a central feature of the system, and consequently, measures to eliminate sinecures are not a focus of reform programs.

Taking these elements together, we might expect anti-corruption reforms to include the following elements:[35]

1) Meritocratic human resources management: The introduction of meritocratic procedures for hiring, promotion, and dismissal of public sector employees is a central element of public sector reform. Meritocratic personnel procedures operate directly on a central mechanism of corruption—the use of office as private property. The recruitment, compensation, and promotion of public sector employees based on objective performance standards known to all deprives offices of both private economic and political value since these procedures reduce the capacity of politicians and managers to appoint politically loyal subordinates, or to offer public offices for sale to interested parties. Meritocratic human resource reforms would also standardize salary, benefits, bonuses, and promotions, with the expectation that public sector employees are compensated entirely through the state budget, and not from fees or bribes extracted from citizens in exchange for real or manufactured government services.[36]

In practice, these reforms would involve dismissing public sector employees in agencies in which officials are able to extract bribes,[37] and the hiring of new cadres

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[35] Again, these reforms represent ideal-types which may be approximated to a greater or lesser degree.

[36] Ideally, this process would include a clear formal delineation between political and civil positions in the public sector. Several low-corruption countries delineate a set of "political" positions in the public sector that are filled by the political team of the incumbent, and are therefore subject to high turnover. However, this requirement is less important substantively than the elimination politicians' and managers' discretion to reward or punish subordinates based on personal, political, or economic factors.

[37] Or, at least the re-qualification of current employees according to new standards.

according to some relatively objective evaluation of qualifications or experience. These reforms historically have included cases of wholesale elimination of public sector positions. This approach is particularly difficult because of the political value of public sector positions, and because of the risk of politically alienating large segments of the population. It is also particularly risky if eliminating positions results in reduced state capacity to provide essential services. Furthermore, standardizing incentives will likely include bringing public sector salaries and benefits in line with private sector positions with similar responsibilities, and removal of politicians' or managers' discretion in awarding bonuses and promotions.

2) Enforcement: Concerted efforts to enforce new or existing formal anti-corruption regulations will include measures to identify and punish officials at all levels. Again, due to the political and economic value of corruption in highly clientelistic systems, the introduction of formal anti-corruption rules, either by decree, legislation, or regulation, will likely be insufficient to deter public sector employees' use of their positions for private economic and political gain. As such, reform requires evidence of significant efforts to identify officials engaging in corruption and punish them by enacting costs that are greater than the benefits they derive from the corrupt activity. Keeping in mind that at the upper levels of the state administration, income from

corruption can be equivalent to that of a CEO of a profitable corporation,[38] nominal fines or restitution may not be sufficient.

3) Procurement reform: While procurement reform is specific to elite corruption, it is a particularly important plank of reform strategies because of its particularly corrosive effect on reformers' capacity to implement reforms at lower levels. Embezzlement, rigged contract auctions and privatizations, and preferential licensing and regulation are the mechanisms through which the greatest rents are extracted by entrepreneurial politicians and higher level state administrators. Rigged procurement processes and preferential licensing generally work by forcing the state to overpay for a service so that the marginal payment is privatized and captured by state officials. Abstractly, rigged auctions work when state officials accept a "kickback" in exchange for selecting the bid of a preferred contractor in the procurement process. The contractor therefore bids a price that includes the service and some marginal payment that goes to the official in question. The contract is then paid out from the state budget, and the margin is paid back to the official in the form of a private kickback. Preferential regulations and licensing work by a similar logic, allowing private economic actors to purchase exemptions for fees and taxes from individual officials. The end result is officials' privatization of some part of state funds allocated to purchase essential services.

[38] For a conceptualization of clientelistic states as an investment market, see Engvall (2011). Through selling positions, collecting "buy-ins" from subordinates, and capturing rents extracted by subsidiaries, the income of entrepreneurial managers and politicians can be significant—indeed, too high to discourage by any realistic raising of official salary.

The enormous profits available from procurement and regulations schemes make the offices responsible for these processes particularly politically important. Sacking these officials risks alienating important private economic actors, and are therefore generally difficult for reformist incumbents who want to retain office. Furthermore, these schemes deprive the state budget of significant funding, thus impeding the implementation of anti-corruption reforms at the lower level. Reformers will generally have difficulty bringing standardized salary and benefit schedules in line with comparable jobs with limited budgets, and the privatization of state funds deprives agencies of resources they need to provide essential services.

The privatization of public office through procurement processes is therefore a central feature of corruption that requires particular attention in reform efforts. The the most basic level, reforms will therefore require sacking officials known to engage in these schemes, and potentially also prosecuting the private economic actors that operate on the demand side. Reforms may also include the introduction of transparency to the procurement and licensing processes, often by developing publicly accessible procurement records, or independent bodies responsible for oversight.

Public sector reform in the cases under analysis will therefore be evaluated according to the following criteria.

Meritocratic human resources:

- Standardized procedures and criteria for hiring, dismissal, and promotion
- Salary and benefits schedule in line with relevant private sector positions, standardized bonuses
- Replacement of officials or reduction in number of public sector positions

Enforcement

- Identification
- Imposition on corrupt officials of costs greater than the benefits of corruption

Procurement Reform

- Sacking high-level officials
- Public, legislative, or regulatory oversight

Readers will note that comprehensive reform programs will ultimately require several other elements. For example, judicial reform will often be necessary to aid enforcement. However, this approach focuses on personnel policy, enforcement, and procurement primarily because of a definitional element. If corruption is the privatization of public office, these elements focus on the central ways in which public office is privatized in high-corruption countries. As a result, these reforms, at least in the abstract, reduce corruption by definition. For example, replacing officials that use formal authority to extract private rents with officials based on objective performance standards is, ipso facto, eliminating corruption. Second, I focus because of their because of their high

political cost in clientelistic systems. In large part, the theoretical argument focuses on the conditions under which politicians in clientelistic political systems are able to abandon politically valuable private resources, including ostensibly public positions. I therefore argue that the measures to eliminate personalized hiring and firing, rent extraction from citizens by officials, use of high level positions to provide preferential treatment in exchange for payment are central indicators of good-faith anti-corruption reform.

With this process-tracing through four stages, I identify one possible pathway to public sector reform. Specifically, I argue that an early "external mobilization" party-building strategy by emerging reformers is a necessary condition for public sector reform in clientelistic systems. External mobilizations exhibit increasing returns through a series of mediating variables. Externally mobilized parties are more likely to coordinate reform elites. Highly coordinated elites, in turn, are better able to design institutions to insulate reform efforts from electoral pressures. Without imminent electoral competition between reformers, politicians are better able to coordinate a shift to meritocratic appointments. Finally, coordinated meritocratic appointments, combined with electoral insulation, signal to public sector employees that hiring and promotion depend on performance, rather than the use of public positions for private economic and political benefit. This process is characterized by multiple decision points, at which even well-intentioned reformers will be tempted to continue to use public positions for private gains. However, the incorporation of external constituencies at early stages make reneging on reform processes increasingly politically costly to politicians at later stages.

I conceive of this process as an ideal type which particular cases may approximate to a greater or lesser degree, but which this theoretical story will not perfectly describe. Similarly, I describe an an alternative pathway to reform failure, which represents a "worst-case scenario" for reformers. On this pathway, emerging reformers rely on a party-building strategy that aggregates existing patron-client brokers for electoral mobilization. This early party-building choice, by impeding the coordination of competitive elites, preventing institutional insulation, and maintaining the incentive to make patronage appointments, locks reformers onto a pathway of preservation of the clientelistic status quo that is increasingly difficult to reverse.

Limitations and Scope Conditions

Readers will note that the cases under analysis, especially the opposing cases of Georgia and Ukraine (2004) closely fit the ideal-type pathways discussed in the theoretical framework section. Of course, this is not a result of a formally deduced set of hypotheses fortuitously confirmed by rigorous testing against a set of random cases. On the contrary, this study might be better characterized as an exercise in induction, or better yet, a process of iteration between general theoretical propositions and the facts of the specific cases (Levi 2002; Yom 2014) . Indeed, no matter how carefully controlled, small-

N comparisons are generally inappropriate for hypothesis testing, given the degrees of freedom problem. (King, Keohane, and Verba 1994). With respect to these specific cases, I do not claim that the variables held constant are not important, or even causal, determinants of pubic sector reform. Rather, in order to make an argument about the importance of party-building under certain conditions, the research design allows me to hold structural conditions as constant as possible. In no sense, for example, do I claim to have falsified hypotheses about the effect of external security on domestic state building in a general sense. Rather, this research design allows two major contributions to the larger literature on the determinants of anti-corruption reform of states' public sector.

First, the process of iteration between general models and specific cases allows for the generating of new hypotheses that are testable against a wider set of cases (Levy 2008). Second, the research design allows me to elucidate the specific conditions under which theoretical mechanisms are likely to hold. In this sense, the research design contributes to theoretical debates on the effect of political institutions on corruption and reform by addressing what might be considered "deviant cases." Georgia, for example, on its face seems to confound existing theories of public sector reform in many respects. In early 2003, Georgia ranked as one of the most pervasively corrupt countries in the world, on par with countries that analysts decry as beset by a "culture" of corruption that was difficult or impossible to reverse without significant economic modernization. Yet by 2008 Georgia was lauded by the international donor community as a leader in anti-corruption reforms, without any significant exogenous increases in economic

development. Furthermore, as the following case study makes clear, is far from a case of reform by oversight or checks and balances. Several studies on cases from different regions have traced public sector reform to increased political competition (Berliner and Erlich 2015; Geddes 1996 for Latin American cases, and Grzymala-Busse 2007 for eastern European cases, for example). Yet Georgia accomplished dramatic reforms by reducing political competition—much more in keeping with Asia's developmental states. Conversely, Ukraine's reform process has been consistently impeded by political competition, even between political elites with an ostensible interest in reform. This comparison therefore generates a set of scope conditions under which the general hypotheses might be applicable to a wider set of cases:

1) "Patronal" political systems (Hale 2014): The theoretical framework above is based on a set of dilemmas that are particularly pronounced in patronal systems. Most importantly, these systems are characterized by pervasive corruption and weak formal institutions. In these cases, corruption is an important aspect of the political exchange in which patrons buy political support. These hypotheses, therefore, generally will not apply to cases where corruption is primarily economic opportunism, and discouraged by strong formal oversight, as in the case in most consolidated, developed democracies.

2) Minimal democracy: These theoretical propositions also depend on a minimal condition of democracy as elections, even if manipulated, as the generally recognized mechanism for gaining and maintaining political power. As such, the explanations

generally will not apply to fully autocratic or totalitarian regimes, which may undertake or discourage corruption by other mechanisms.[39]

3) High uncertainty: A central part of the theoretical argument is that political parties coordinate elites who, facing short time horizons, would otherwise have an incentive to pursue short-term instrumental goals, even if they had a longer term interest in reform. In this sense, parties provide an organizational, as opposed to institutional, mechanism for lengthening the time horizons of reform-minded elites. The propositions derived from the theoretical framework will therefore be most applicable in situations of high uncertainty, including regime change via popular movements, post-conflict environments, decolonization, empire collapse, or intra- or interstate war.

[39] This category includes regimes which conduct "facade" elections, in which no serious opposition contenders stand a chance of winning, as distinct from manipulated democratic elections, in which incumbents tilt the playing field in their favor through the use of state administrative resources, favorable media outlets, or electoral manipulation.

Chapter 3: Ukraine 1999-2008

Introduction

Despite a common starting point of relatively similar structural and institutional conditions, where Georgia rapidly reformed its public sector to reduce petty corruption, Ukraine has consistently ranked among the most corrupt countries in the world according to several major indices. In much the same process as in Georgia, the poor public reputation of a corrupt incumbent, Leonid Kuchma, led to the emergence of charismatic challengers from within the ruling coalition. In contrast to Georgia, however, the ostensible reformers in Ukraine, specifically Victor Yushchenko, invested little in the development of programmatic or ideological political parties, relying instead on pre-existing aggregations of political elites and economic patrons to challenge the incumbent. As a result, the political opposition to Kuchma remained relatively uncoordinated. Since the opposition parties lacked a core group capable of constraining elites' pursuit of individual economic or political interests, once in power these elites continued to use positions in the state administration, and associated opportunities for corruption, to advance these interests. Lacking credible information about either Yushchenko's willingness and ability to provide goods outside of their respective networks, elites had little incentive to defect from the status quo.

The main opposition figures, Yushchenko, Yulia Tymoshenko, and Oleksandr Moroz of the Socialist Party of Ukraine (SPU), were able to cooperate during the Orange Revolution to secure Yushchenko's victory in the presidential election rigged for Viktor Yanukovych, Kuchma's preferred successor. However, the opposition's inability to secure significant defections from the Kuchma's coalition left Yanukovych's Party of Regions (PR) in a position to negotiate institutional concessions that resulted in a rough balance of power between the offices of the president and prime minister. This lack of institutional consolidation further impeded Yushchenko's and Tymoshenko's ability to make credible commitments outside of their respective networks.

Therefore, this early reliance on pre-existing clientelistic networks to establish credibility impeded public sector reform in two major respects. First, once in power the reformers continued to make administrative appointments to elites within their personal network, generally avoiding recruitment on a value-rational or meritocratic basis of personnel outside the network who would implement meritocratic recruitment practices at lower levels of the bureaucracy. Second, both the president and the government prioritized policies that directed private and club goods to supporters. What reform efforts did occur generally were aimed at weakening the economic and political power of rival networks. The end result, therefore, of early decisions by Yushchenko to avoid the high costs of programmatic party building was to lock the Orange coalition reformers into the same dilemma as their predecessor—although several formal anti-corruption proposals

were initiated, there was little serious reform efforts in terms of personnel, enforcement, or procurement reform.

This chapter proceeds in five stages. First, I offer an assessment of public sector corruption and reform in Ukraine in three spheres—human resources reform, anti-corruption enforcement, and procurement reform. I then proceed into a narrative and analysis of the four stages of the potential reform process that I identified in Chapter 2. the status quo equilibrium under Kuchma, the emergence of Yushchenko and development of his Our Ukraine political bloc, the stage of political transition and institutional consolidation that accompanied the Orange Revolution, and finally the stage of governing, with a focus on executives' appointment strategies and policy agendas.

Prelude: Assessing Public Sector Reform in Ukraine, 1999-2008

Available evidence suggests that, prior to the Orange Revolution in Ukraine in 2004, large numbers of political elites and public sector employees at all levels of the state bureaucracy routinely engaged in some form of corruption. This evidence is based on both surveys of the perceptions and experiences of elites and ordinary citizens.[40] A large body of anecdotal evidence, investigative reports, and interviews supports this

[40] See, for example, the Global Corruption Barometer (GCB) and Corruption Perceptions Index (CPI) from Transparency International, and the Control of Corruption Worldwide Governance Indicator (WGI) from the World Bank. The CPI and WGI are aggregations of elite and public opinion surveys. The GCB is a mass survey of citizens' personal experiences with corruption.

assessment, and illustrates the specific mechanics of both grand and petty corruption schemes. Furthermore, a similar set of evidence suggests that the administrations of President Viktor Yushchenko and Prime Minister Yulia Tymoshenko, both ostensible reformers who came to power during the Orange revolution, did little to reduce the level of public sector corruption in Ukraine.

This section assesses the degree of private use of state offices in Ukraine prior to the 2004 Orange Revolution, and the degree of reform under the subsequent Yushchenko presidency and Tymoshenko governments. I argue that the post-Orange Revolution coalition achieved little in the way of reform outputs in terms of human resource management, enforcement, or procurement reform. The administration and government did not replace patronage hires in the state administration, or implement meritocratic personnel management or incentives. Officials undertook no concerted efforts to enforce anticorruption regulations by identifying and sanctioning corrupt officials at any level. Finally, the administration and the government were unable to reverse the privatization of state offices at the highest levels by reforming a murky public procurement process.

Human Resources Reform

Reform of the criteria for hiring, promoting, and dismissing public sector employees is a central element of reform because it deprives politicians of the ability to offer positions in exchange for political support or private economic benefit. Ideally, in

order to deprive state positions of private benefits, reform should establish clear criteria based on qualifications or performance for hiring, promotion, or dismissal. It should also standardize public sector salaries and bonuses, and bring them on par with comparable private sector wages, so that state employees are compensated through the state budget and not through the extraction of private rents. Finally, serious anticorruption reform efforts would involve the dismissal or re-qualification of state employees known to engage in corruption, or who received positions as patronage.

Prior to the Orange Revolution, the state apparatus in Ukraine was highly politicized at all levels. Appointment to public sector positions was based in large part on personal or political connections, rather than merit. At higher levels, retaining one's position depended on the ability to produce electoral results for the patron, rather than good governance. Furthermore, the criteria for hiring, promotion, bonuses, and dismissal were not clearly articulated or enforced, and compensation was sufficiently low so as to encourage officials to extract rents through bribes, extortion, or embezzlement. In short, positions in the state administration were effectively privatized, serving both as a private source of political and economic support for patrons, and an opportunity to capture state resources or extract bribes for their clients. Furthermore, the Orange Revolution did little to remove this private value from public sector positions. The subsequent governments continued the practice of introducing formal reform by legislation or decree, but did not standardize employment criteria, eliminate or re-qualify state officials, or bring salaries in line with comparable positions.

Hiring, Promotion, and Firing

In terms of organization, the state apparatus in Ukraine under Kuchma was highly centralized, and was characterized by the proliferation of redundant organs and areas of overlapping authority between central and local officials, and by the lack of clear division between professional civil servants and political appointees. In 2002, the first year for which official estimates are available, Ukraine's "general government sector" employed approximately 1,184,400 people[41], or about one employee for every 40 citizens, making it actually quite small in comparison to government sector employment in countries like Germany and Poland (one employee per 20 and 23 citizens, respectively).[42] As such, while reducing the rate of citizen interaction with state bureaucrats by downsizing the public administration is one typical policy prescription for reducing petty corruption, the

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[41] "Public Sector Employment (Thousands)," LABORSTA Internet, International Labour Office [http://laborsta.ilo.org/STP/guest] accessed 01/23/2015]. The "general government sector" includes "all units of central, state, or local government; all social security funds at each level of government; all non-market, Non Profit Institutions (NPIs) that are controlled and mainly financed by government units." The LABORSTA database compiles employment statistics for the "public sector," which includes the "general government sector" plus "publicly owned enterprises. The "general government sector" designation contains the subcategories of "public administration and defense; compulsory social security," and as such, excludes important subcategories of state employees in the education and health sectors, many of which also engaged petty corruption regularly in Ukraine. However, the "general government sector" designation is retained here for the purposes of cross-country comparison. See ANNEX: Extract of chapter IV: Institutional units and sectors, pages 102-104 in:
"System of National Accounts 1993, Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, World Bank, Brussels/ Luxembourg, New York, Paris, Washington, D.C., 1993". Quoted in LABORSTA Internet, International Labour Office [http://laborsta.ilo.org/applv8/data/sna93e.html] accessed 01/23/2015.

[42] Total population data from The World Bank, World Development Indicators [http://data.worldbank.org/indicator/SP.POP.TOTL] accessed 01/23/2015.

focus on public administration in Ukraine has tended to focus less on its size than its organization.

This centralization of the state administration facilitated the privatization of public offices in two respects. First, the centralization of the state administration, combined with the significant decree power of the president led to a lack of clearly defined roles for professional civil servants and political appointees. In this sense the entire state administration was effectively politicized, with employees appointed to fulfill the political goals of their superiors, rather than to pursue an objective public mission. As a result, there were few formally established powers or responsibilities, either between federal levels, or between officials or agencies at the same level (van Zon 2005, 16; (Shpek, 2000, 19). This administrative ambiguity encouraged political competition among bureaucrats, and stifled initiatives of lower-level bureaucrats that might otherwise be inclined to pursue reforms. Indeed, in focus groups conducted by Condrey, Purvis, and Slava (2001), bureaucratic managers cited power struggles among their superiors as an obstacle to public management reform.

Second, somewhat counterintuitively, the lack of budget and policy autonomy for local government left the state administration vulnerable to to proliferation of redundant state organs, legislation, and regulatory bodies. The centralized hierarchy governed primarily by decree power at the expense of well-defined rules and laws gave bureaucrats and legislators discretion to implement arbitrary rules and regulations to protect their

narrow interests, and often to grant exceptions to favored clients (van Zon, 2005). Van Zon (2005) argues that this system of informal power and decree making prevented the emergence of an ethos of public service in the civil service. Indeed, in Condrey's et al's focus group, one *oblast* official noted that redundant regulations and controversial laws confused officials and hindered their ability to plan (Condrey, Purvis, and Slava, 2001). Sherr (2004) has also noted that one obstacle to security sector reform efforts in 2000 was an excess of government bodies and regulatory organs with bloated staffs.

Furthermore, this centralized state administration discouraged the development of a merit-based personnel recruitment policy. Much of the lack of such a policy stemmed from the seizure of higher level positions in the state apparatus by the Communist Party *nomenklatura* following the Soviet collapse (Motyl 1997, 439), with former CPSU officials comprising up to 60% of new economic and political elites in the former Eastern Bloc, according to some estimates (Kovriga 2001, 171-172). Shelley (1998, 651) argues that these officials have tended to reproduce practices of the Soviet shadow economy, including bribery and exchanges based on personal connections, resulting in the persistence of organized crime and corruption in Ukraine . As a result, both political elites and bureaucratic managers have avoided instituting merit-based recruitment to the state administration, instead preferring to hire people that would be personally and politically loyal. Condrey's et al's focus group participants noted that bureaucratic managers lack training in public management administration, and that incentives tended to favor hiring for political reasons, rather than merit (Condrey, Purvis, and Slava 2001).

This problem was compounded by the lack of rules or laws against political affiliation or activity by civil servants (Condrey, Purvis, and Slava 2001). Shpek's (2000, 19) analysis concurs, arguing that Ukraine's central administration lacked sufficient numbers of staff members educated in law, economics, business administration, or social science. The lack of the capacity of the personnel system to attract and hire qualified candidates was compounded by its inability to improve the skills of employees it did attract. Local officials received little training in public management, and the bureaucracy by and large still relied on Soviet human resource management methods as of 2001. The high level of centralization in HR training and management removed incentives for public sector employees to improve their skill (Kovriga 2001, 172). Structurally, public management or administration were not part of the curriculum at universities in Ukraine (Condrey, Purvis, and Slava 2001; Kovriga 2001, 172), perhaps reflecting the lack of demand for such programs, given that merit or performance were not widely seen as paths to a job or advancement in the public sector. In sum, this lack of ability to recruit and train qualified personnel had significant consequences for state capacity in Ukraine. Without qualified personnel, Ukraine lacked adequate law enforcement and judicial bodies to combat organized crime and corruption, and little capacity to improve the qualifications of personnel within these bodies. As such, in 2004, Sherr identified the depoliticization of the bureaucracy as a main priority for reform, and one that would provide a relatively easy fix, given that it would require no significant financial investment (Sherr 2004).

However, the Orange coalition did little to depoliticize the state administration upon coming to power in 2005. In fact, each of the governments during Yushchenko's presidency maintained a centralized state administration,[43] with personnel appointed generally to advance the political interests of principals that occupied high level political posts, initially businessmen associated with Yushchenko.[44] A series of evaluations by leading Ukrainian nongovernmental organizations of the activities of the post-Orange Revolution governments determined that state personnel policy retained many of the practices common under Kuchma and his predecessors. For example, while Yushchenko apparently attempted personnel reforms in the local administrations, within the first 100 days of his administration, he was forced to call to the attention of regional administrations that local staff appointments exhibited "serious drawbacks and errors… which originate in unprofessional and politically biased approaches to this activity."[45]

This discrepancy between Yushchenko's apparent intentions and the unwillingness of regional administrators to carry out his orders was likely due in large part to the fact that the heads of the regional administrations themselves were political appointments,

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[43] Four cabinets and prime ministers coincided with Yushchenko's presidential administration: the first Tymoshenko government, the Yekhanurov government, the second Yanukovych government (he first served as prime minster under Kuchma) and the second Tymoshenko government.

[44] Amchuk, Leonid, "The Yushchenko Government: Who Lobbied Whom for What," *Ukrainskaya Pravda*, 02/08/2005, via World News Connection [http://wnc.eastview.com/wnc/article?id=31971252] accessed 04/10/2015.

[45] "100 Days of the New Authorities: A View of Nongovernmental Think Tanks," *National Security and Defense*, No. 5 (65), 2005, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 23

many of whom and not neutral civil servants.[46] Furthermore, Yushchenko was forced to remove several regional administration heads because of public concerns with their previous corrupt activities, and even subsequent appointments faced similar concerns.[47]

The politicization of the state administration did not improve through the first 100 days of the Orange Coalition government, nor through successive governments under the Yushchenko administration. An evaluation of the first 100 days of the Yekhanurov government, for example, emphasized the ongoing blurring of political and administrative functions both at the ministries and the regional and local administrations.[48] Successive reports emphasized that the importance of political criteria in state administration resulted in large part from the desire of the president, ministers, and regional administrators to appoint subordinates that would advance their individual political interests[49]. Furthermore, these evaluations expressed concerned at the widespread resignation of higher-level civil servants at their own discretion, usually indicating their dismissal not for any objective failure to perform civil service duties, but as a result of political pressure.[50] Finally, an evaluation of the activities of the government

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[46] Ibid, pp. 33.

[47] Ibid. pp. 33

[48] "100 Days of the Coalition Government: A View of Nongovernmental Think Tanks," *National Security and Defense*, No. 10 (82), 2006, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 16

[49] Ibid, pp. 17

[50] Ibid, pp. 19; "240 Days of the Government Activity in the New Format" *National Security and Defense*, No. 3 (87), 2007, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 21

in the 240 days following the formation of the second Yanukovych government in August 2006 pessimistically concluded,

> "In personnel management and approaches to organisational arrangements and decision-making procedures, the Government continues to reproduce the practice of 2003-2004. Instead of principles of democratic governance, command-administrative methods dominate. Before and after March, 2007, the Government made emphasis not on reforms but on an aggressive human resources policy and struggle for powers."[51]

Staff Replacement or Reduction

In addition, Yushchenko and the post-Orange revolution did not undertake significant efforts to replace or re-qualify officials that obtained positions due to patronage, or who were known to engage in corruption. Instead, Yushchenko's reform attempts focused primarily on the re-organization of state ministries. In moves generally praised by analysts and reform proponents, Yushchenko issued decrees merging ministries and eliminating several deputy minister positions[52] (Åslund 2005, 339). Furthermore, the presidential administration, previously a source of centralized formal

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[51] Ibid, pp. 23

[52] For specific details on these organizational reforms in successive post-Orange Revolution governments, see "100 Days of the New Authorities: A View of Nongovernmental Think Tanks," *National Security and Defense*, No. 5 (65), 2005, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov; "240 Days of the Government Activity in the New Format" *National Security and Defense*, No. 3 (87), 2007, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov; "240 Days of the Government Activity in the New Format" *National Security and Defense*, No. 3 (87), 2007, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 21

and informal power for Kuchma, was reconstituted as the Presidential Secretariat, and the staff replaced with more educated and competent officials (Åslund 2005, 340).[53]

However, any replacement of corrupt officials was generally limited to the Secretariat and the highest levels of state ministries. In the first 100 days of office, Yushchenko claimed to have replaced 18,000 officials in the state administration, a step that was criticized as a risky loss of expertise and institutional memory (Kuzio 2005a, 360) and (Åslund 2005, 339). However, in comparative terms, the dismissal of 18,000 officials is quite small in the context of a state administration that employed approximately 1.5 million people. As noted above, most of these replacements were political in nature, and therefore combined largely to higher level managers in state ministries, and at the regional and local administrations. There do not appear to have been concentrated efforts to dismiss cadres at the lower levels. The interior ministry, for example, introduced 250 criminal cases against current or former employees, half of which were middle or high ranking officers (Kuzio 2005a, 360).[54] At the regional level, a Razumkov Center report concludes that that there was also "no radical renewal of authorities."[55]

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[53] "The New Government's Performance in 2005: A View of Nongovernmental Think Tanks," *National Security and Defense*, No. 12 (72), 2005, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 33.

[54] Contrast these numbers with the dramatic purges of the state administration in Georgia under Saakashvili that will be discussed in Chapter 4. For example, Georgia's interior ministry eliminated its entire traffic police division, constituting 16,000 employees, almost as many as were replaced in the entire public sector in Ukraine. Georgia's personnel policy will be described in greater detail in the next chapter.

[55] "100 Days of the New Authorities: A View of Nongovernmental Think Tanks," *National Security and Defense*, No. 5 (65), 2005, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 23

Salary and Benefits

In addition to institutional organization, assessments of bureaucratic corruption in Ukraine have focused on the material incentives facing individual bureaucrats. Low public sector wages was one central factor that encouraged petty corruption among bureaucrats. Public sector employees were persistently underpaid, by one estimate at an average monthly salary of US $35, or approximately 60% of the national norm in 1998.[56] Compounding the problem, the government was often several months in arrears on wage payments (Condrey, Purvis, and Slava 2001). Kovriga (2001) notes that the pay structure lacked incentives for merit or performance. Jobs were offered according to personal connections rather than a merit based recruitment system, and the pay structure lacked performance or merit incentives. As a result, public sector employees tended to rely on a system of informal exchanges for benefits rather than official wages. Again, Condrey's et al's (2001) focus group participants cited low wages as another major obstacle to improvement public management.

Low wages and a lack of performance incentives impeded reform through two dynamics. First, it acted on the incentive structure facing individual bureaucrats; taking bribes was one way that employees could help cover living costs given their low official wages. Second, low wages and benefits prevented the state bureaucracy from attracting

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[56] Hensel, S. ed. (1998) *Ukraine: Economic Outlook*, EIU Country Report, Economist Intelligence Unit Limited, 4th quarter. Quoted in (Condrey, Purvis and Slava 2001).

qualified personnel, who could receive better compensation abroad or in the private sector (Condrey, Purvis, and Slava 2001; Motyl 1997, 439). Furthermore, the dynamic between corruption and the lack of merit-based incentives for public sector employees was mutually constitutive. Lacking fair wages to cover living expenses, bureaucrats were more susceptible to bribery. On the demand side, bribery of public officials was one mechanism through which citizens, or more importantly, the business elite, avoided financial obligations, including fines and taxes, to the state. As a result, corruption deprived the state budget of funds which might have been used to compensate public servants fairly, thus encouraging more corruption.

Again, the Orange Revolution did little to improve this situation in terms of providing competitive salary and benefits, both to discourage corruption, and attract qualified personnel. Salaries and benefits were increased only marginally, and those increases were concentrated in high level positions, precisely the cohort in which incentives increases would be least likely to affect corruption. The Razumkov Center evaluation of the new government's performance through the end of 2005 argued that salary increases should be applied to lower-level civil servants, and argued for a "Fair and transparent rumination of labour, rather than bonuses, privileges, and pension preferences…" in order to attract qualified and honest employees.[57] The implication of the report, of course, was that the Yushchenko administration and the Tymoshenko

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[57] "The New Government's Performance in 2005: A View of Nongovernmental Think Tanks," National Security and Defense, No. 12 (72), 2005, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 35.

government had not accomplished this transition by the end of 2005. An overview of post-Orange Revolution administrative reforms by Condrey, et al (2013) estimated that the pay for entry-level private sector positions was perhaps as much as four times the average pay for an entry-level government position in 2007, and that the gap increased at higher level positions.[58] Furthermore, Condrey, et al (2013) cite a 2008 World Bank report arguing that base salaries for public sector position often do not correlate with skills or experience, and that multi-position appointments and arbitrary bonuses are the primary incentives to attract candidates and reward behavior.[59] As of 2011, the public-private pay gap had not improved (Condrey et al. 2013).

Anti-corruption Enforcement

Again, in order to attract votes through public goods appeals, or to placate international donors, politicians in highly clientelistic systems often introduce formal anti-corruption regulations in the form of decrees, legislation, or bureaucratic regulations. However, given the political value of the corruption associated with public sector positions, these politicians are often unwilling to actually enforce these formal rules. As such, concentrated attempts to identify and sanction state officials engaging in corruption

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[58] Average entry-level pay for a government position was estimated at US$170 per month, approximately five times higher than the 1998 estimate above.

[59] World Bank: Poverty Reduction and Economic Management Unit (ECSPE) (2008). Ukraine: Improving Intergovernmental Fiscal Relations and Public Health and Education Expenditure Policy. Selected Issues. No. 42540-UA [siteresources.worldbank.org/INTUKRAINE/Resources/UkrainePFRFinalEng2.pdf]. Quoted in Condrey. (2013).

in an ongoing sense,[60] rather than the creation of new formal institutions, is a central indication of good faith reform efforts. Since the corruption associated with public sector positions was a central mechanism through which Kuchma retained political power, his administration obviously had little interest in serious anticorruption enforcement efforts.

Indeed, the Ukrainian state administration under Kuchma is better described as a context in which corruption was at best, tacitly tolerated, or at worst, explicitly encouraged.[61] A brief anecdote from Markovskaya, Pridemore, and Nakajima (2003) indicates the hierarchical nature of corruption in Ukraine: Ukrainian entrepreneurs regularly traveled to Poland to purchase goods for resale within Ukraine, a process which requires bribing customs officials and border guards. Markovskaya, Pridemore, and Nakajima (2003) note that both the personnel to bribe and the expected amounts of the bribe are known to these entrepreneurs. However, around Christmas time, the high volume of goods trafficking and the time constraint necessitating that traffickers import and sell their goods before Christmas attracted a higher-level government inspector to a customs checkpoint to extort bribes from the entrepreneurs. After rejecting a collective offer of US$60,000 from the entrepreneurs, the inspector noted the offer did not even cover the bribe he paid up front to superiors in Kyiv to receive the assignment to come to the checkpoint (Markovskaya, Pridemore, and Nakajima 2003,16-17). This scheme

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[60] That is, not necessarily retrospective identification and sanctioning, but enforcement that will deter corruption in the future.

[61] The explicit use of corruption as a political tool, specifically through blackmail, will be discussed in more detail in the next section describing the system of corruption and political clientelism under Kuchma.

described by Markovskaya, Pridemore, and Nakajima demonstrates the hierarchical nature of corruption in Ukraine in two respects. First, the government inspector ostensibly responsible for the oversight of customs officials actually supplanted their opportunity to collect bribes, presumably signaling that their daily bribe taking would be tolerated. Second, the inspector had to bribe his superiors in the bureaucracy for the opportunity to go to the border to collect the bribes. The payoffs of superiors at higher levels of the bureaucracy therefore indicates a lack of any significant will for enforcement among high level officials in the state administration.

While there does not appear to be any evidence that the Orange Coalition elites explicitly encouraged corruption in the same manner as Kuchma's regime, neither is there much evidence to suggest they undertook a serious effort at anticorruption enforcement. The lack of widespread dismissals of corrupt officials for past behavior described above somewhat evidences a similar lack of an organized anti-corruption enforcement campaign by post-Orange Revolution governments. Similarly, there is little evidence of steps to identify and punish ongoing corruption among public sector employees. Rather, attempts to enforce anticorruption laws or regulations were often arbitrary, aimed at higher level officials, and political in nature. Attempts at enforcement at lower levels had little apparent effect on corruption. In 2008, for example, the Ministry of Internal Affairs recorded 1,910 cases of bribe-taking, of which 1,376 were referred courts as criminal

cases. Only a small portion of these referrals resulted in significant punishment.[62] Furthermore, the vast majority of public sector employees convicted of bribe-taking were assigned a punishment below the statutory minimum, and convicts are usually not deprived of posts or forced to pay restitution. At the highest levels of the state administration, corruption generally went unpunished.[63]

Procurement Reform

Finally, the state procurement process is a central mechanism through which entrepreneurial officials privatize public office. Formal positions provide the capacity for entrepreneurs to capture public funds through rigged auctions or preferential regulation and licensing. Indeed, the Kuchma administration in Ukraine used procurement-related schemes as a central tool with which to maintain political support. Kuchma used preferential access to state resources, including trade licenses, protection of monopolies, tax benefits, and preferential state contract awards to mediate between oligarchic groups. In return, these oligarchs provided political support for Kuchma in the form of financial resources, favorable treatment in media holdings, and political machines under the cover of ideologically amorphous political parties (Bukkvoll 2004, 15).

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[62] Of those referred to courts, approximately half were tried and convicted, but with only 57 sentenced to significant prison terms. Six were sentenced to between five and ten years, and none sentenced to more than ten years.

[63] "Political Corruption in Ukraine: Actors, Manifestations, Problems of Countering," National Security and Defense, No. 7 (111), 2009, Ukrainian Center for Economic and Political Studies Named After Olexander Razumkov, pp. 33.

Ukraine under Kuchma has been characterized as a severe case of "state capture" (van Zon 2005), or an "oligarchic regime" (Kuzio 2005b, 171; Åslund 2005, 335-337), in which economic elites are able to use the state apparatus to advance their own private economic interests. Ukraine's oligarchs emerged with the process of privatization of state resources following the Soviet collapse, as well-placed former *nomenklatura* officials were able to use their positions to capture economic and financial resources (Kuzio 2005, 118).

The political relationship between Kuchma and these oligarchs took the form of an implied quid pro quo. First, the oligarchs exerted influence in the *Verkhovna Rada* through the development of "virtual" political parties with ostensibly ideological names and slogans, but with no distinguishing policy platform (Wilson 2005; Kuzio 2005, 118; Protsyk and Wilson 2003, 704).[64] These parties used the financial and political resources of their sponsors to bribe, co-opt, or coerce MPs to advance the interests of associated oligarchs. MPs also enjoyed parliamentary immunity, meaning that representatives can use their positions to pursue the economic interests of their associates or themselves (Shelley 1998, 658).[65] The oligarchs' ability to easily buy or coerce the support of individual MPs allowed them to create ad hoc parliamentary majorities to support the president's initiatives (Protsyk and Wilson 2003).[66] In return for this political support,

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[64] The *Verkhovna Rada* (Supreme Council) is Ukraine's parliament.

[65] Aslund (2005, 340) estimates that about two-thirds of *Rada* deputies in 2004-2005 were US dollar millionaires.

[66] Protsyk and Wilson (2003) document the high factional volatility in the *Rada*, noting that over a three year period from 1998-2001, deputies changed factions 562 times.

Kuchma's administration offered favorable legal and economic treatment for the oligarchs in the form of guaranteed monopolies, tax and regulation exemptions,[67] import-export licenses, and rigged public contracts (Kuzio 2005b, 171; (Protsyk 2003, 1091; Protsyk and Wilson 2003). Kuzio (2005a), for example, notes that a favored form of corruption was suppliers overcharging state institutions for goods, presumably for which state officials responsible for procurement would collect a kickback.

Procurement was one area in which the Orange coalition apparently attempted to introduce reforms. Even during their stints in the Kuchma government, both Yushchenko and Tymoshenko had some success in eliminating VAT schemes, which increased revenue to the state budget. Following the Orange Revolution, the reformers continued an emphasis on limiting preferential regulation.[68] However, the Orange Coalition also focused efforts on a controversial re-privatization process. Ostensibly, re-privatization would advance reforms by correcting previously corrupt tenders of state companies. However, there is little evidence to suggest that either the president or the government attempted to introduce an objective, transparent procurement process based on the rule of

[67] Indeed, tax schemes were a favored form of elite corruption in Ukraine, as the State Tax Administration (STA) issued exclusive trade licenses and tax benefits to government officials and their business associates. This form of tax manipulation was particularly pronounced in the energy sector, as government-protected entrepreneurs established holding companies that acted as middle-men for the import of Russian gas. These companies negotiated barter deals for gas imports, which allowed them to underreport profits for the purposes of tax evasion. Furthermore, bribery of officials in the Finance Ministry and STA allowed business elites to secure refunds of Value Added Tax (VAT) payments.

[68] Kuzio (2005a, 360) details several efforts to combat corruption in procurement following the Orange Revolution, including court processing of 18,000 criminal cases of illegal VAT refunds, the replacement of the CEO of Naftogaz, a state-owned energy company and the source of billions of dollars of lost state revenue, and the introduction of 76 criminal cases involving a loss of US $5 billion in state revenue associated with the Transport Ministry.

law. As a result, re-privatization, both in qualitative and quantitative terms, became a central source of disagreement between Yushchenko and Tymoshenko and their associated elites. Without this rule-based framework, even had the Orange Coalition been able to agree on a re-privatization program, the result likely would have been a simple redistribution of resources, conducted in much the same fashion as previous public tenders.

Assessment Conclusion

In sum, the Orange Revolution did little to reduce the widespread use of public office for private political and economic gain that characterized the Kuchma administration. The new administration did not engage in large-scale personnel replacement, eliminate public sector positions, introduce meritocratic human resource standards, or develop objective incentives standards in line with comparable private sector positions. Neither did the authorities did take steps to enforce laws or regulations that would deter ongoing corruption. The post-Orange Revolution governments did achieve some limited procurement reform, although these efforts tended to focus on removing or punishing isolated individuals for past offenses. No central figures from the Kuchma regime or the oligarchic clans were prosecuted, and the Orange elites were unable to agree upon an objective, transparent framework for public procurement, devolving instead into a process of destructive disagreements over the issue of re-privatization. As a result, grand corruption associated with state procurement persisted.

The following sections explain why, despite coming to power via a mass movement focused largely on anti-corruption, the reform challengers in Ukraine were unable to achieve significant reform outputs after 2004. I argue this failure was the result of a contingent process in which the policy options available to reformers at later stages of the process were constrained by decisions made at earlier stages. Specifically, the reformers' early decision to work within the existing system of political clientelism rather than invest in programmatic or ideological party building produced lock-in effects that constrained their ability to implement reforms once they came to power during the Orange Revolution. The organization of these opposition parties around their own personal networks impeded the coordination of economic and political elites around one reformer that could credibly promise to distribute resources, including public goods, outside of his or her network. In turn, this lack of elite coordination produced an institutional configuration that effectively institutionalized short-term electoral competition between the competing reformers, limiting their ability to pursue longer-term investments in public goods. Finally, and perhaps most importantly, early decisions about party building shaped the personnel decisions and the policy agenda of the reformers. Both preferred to reward their supporters with key government posts, who in turn generally avoided recruitment of managers that would implement meritocratic recruiting practices at lower levels of the bureaucracy. In terms of the policy agenda, despite a campaign that emphasized anti-corruption reforms, the clientelistic nature of their respective political parties and imminent electoral competition forced the reformers to

prioritize economic populism, leading them to provide club goods to limited groups of supporters, rather than focus on long term public-goods provision like anti-corruption reform.

To demonstrate this argument, I trace this process through four major stages—a "status quo equilibrium," reformer emergence, the power transition, and governing—showing at each stage how the options available to reformers were conditioned by decisions at earlier stages in the process, and in turn, how the decisions they made constrained options later in the process.

Stage 1: Ukraine Under Kuchma

This section explains why public sector reform in Ukraine in the late 1990s and early 2000s was so difficult in the first place. It describes the earliest stage in the process of public sector reform attempts in Ukraine—an equilibrium in which a system of corruption and political clientelism served to perpetuate the rule of Ukraine's second president, Leonid Kuchma. In the section, I briefly describe the formal and informal political environment that characterized Ukraine to varying degrees from 1994 until the dismissal of eventual reform candidate Viktor Yushchenko from the post of Prime Minister in 2001. I argue that Ukraine during this period can be characterized as a system of political clientelism in which pervasive corruption served as a political tool with which to mobilize votes, especially among public sector employees. As a result, Kuchma

continually faced a classic politician's dilemma—the level of corruption made his administration unpopular, and he might have benefitted in the long term from implementing public sector reforms to reduce corruption. However, these reforms carried the short-term risk of upsetting key supporters that benefitted from this system.

Kuchma's solution to this dilemma was a hedging strategy—the adoption of nominal anti-corruption initiatives with no enforcement, combined with the incorporation into the government of reformers with a reputation for honesty. In short, Kuchma attempted to advertise to the public and international donors that his administration was serious about anti-corruption reform without actually enforcing any initiatives that might disrupt the rent seeking activities of state officials. This hedging strategy exacerbated an existing dilemma of coordination for political and economic elites, including state officials and public sector employees, around ostensible reformers. Given the incentives in clientelistic political systems for political elites to misrepresent their reform preferences, elites and voters require a credible commitment to abandon the use of public positions for private gain. This credible commitment problem was likely particularly pronounced in Ukraine given that Kuchma himself came to power as ostensible reform challenger to Ukraine's first president, Leonid Kravchuk. The clientelistic political system and use of corruption as a political tool in Kuchma's Ukraine therefore created the central credible commitment problem that would face challengers Yushchenko and Tymoshenko upon the former's dismissal as Prime Minister in 2001.

This section proceeds in two steps: First, I describe the system of formal and informal institutions that created Kuchma's politician's dilemma. Second, I describe Kuchma's attempt to mitigate the dilemma created by these institutions. In short, a highly centralized state administration allowed Kuchma to draw on public sector positions, and the associated opportunities for private gain, as a central tool with which to secure political support. However, this corrupt state administration was a focal point of public opposition to Kuchma, leading his administration to adopt nominal anticorruption reforms, with no intent to enforce them. This hedging strategy created the central problem of credible commitment facing ostensible reform elites that emerged to challenge Kuchma's regime.

Kuchma's Politician's Dilemma

Prior to the disputed 2004 presidential elections that led to the Orange Revolution, Ukraine's incumbent president faced a politician's dilemma—the use of a corrupt state administration for patronage purposes made Kuchma increasingly unpopular with the public. This dilemma was created by sets of overlapping formal and informal political institutions, at least partly of Kuchma's own making. Formally, a highly centralized state administration made public sector positions at all levels of government amenable to use as political patronage. A strong institutional presidency reinforced this use of state positions for political gain by providing a set of "administrative resources" with which the president could reward political supporters and coerce potential opponents. Informally, Kuchma derived political support from competing networks of patron-client

relationships centered on a set of oligarchs—Ukraine's richest businessmen that controlled regionally based financial-industrial conglomerates. Within this context, the corruption associated with positions in the state administration served as a central tool through which Kuchma elicited political support from these networks.

Formal Institutions

The formal institutional powers associated with a strong presidency enabled Kuchma to use the state administration as a source of patronage. Indeed, Kuchma undertook several initiatives to consolidate his political position by centralizing constitutional authority and the state administration . The unitary structure of the Ukrainian state, and as a result, the organization and authority of the state administration, has been a central dynamic of constitutional politics since independence. Despite the 1992 "Law on local self-government" that granted policy autonomy to regional councils, Ukraine's presidents have generally sought to concentrate power in the national government, and specifically, in organs responsible to the president.[69] Leonid Kuchma in particular, upon coming to power in 1994, frequently used the decree power of the presidency to subordinate the previously elected chairmen of *oblast* (regional) councils, as well as to appoint chairmen of local, village, and city councils, and the heads of *oblast* and local administrations (Konitzer-Smirnov 2005, 6-7). These initiatives were institutionalized in the 1996 Constitution, which effectively established a vertical of

[69] Konitzer-Smirnoff (2005) provides one concise overview of the negotiation of power between the center and periphery in Ukraine during the 1990s. This example is suggestive. Given the regional diversity of Ukraine and the debate over the effect of the East-West divide on Ukrainian politics, the literature on decentralization in Ukraine is extensive.

executive power that linked officials at the city or village level to the president (Kuzio, Kravchuk, and D'Anieri 1999 quoted in (Konitzer-Smirnov 2005, 7).

Furthermore, Kuchma also centralized the state administration as a tool of executive power. Both *oblast* and local administrations lacked both policy and budgetary autonomy. Although Ukraine was a signatory to the European Charter of Local Government, it did not implement laws on regional financing (Kovriga 2001, 172), and tax authority remained centralized, meaning the central government remained responsible for regional and local budgets. Furthermore, the central government in Kyiv retained the initiative to develop local policy, with *oblast* and local executives responsible only for implementation. Condrey, Purvis, and Slava (2001) argue this lack of financial and policy autonomy facilitated bureaucratic corruption in Ukraine by depriving local actors of incentives to initiate reforms at the local level.

Whatever the result, Kuchma's depriving local actors of autonomy was certainly intentional. Financial and administration subordination of regional administrations allowed Kuchma to use political patronage and access to state resources at all levels of government to attract support from key economic elites. At the national level, the formal institutional power of the presidency provided Kuchma with a "first mover" advantage of the nomination of candidates to cabinet level positions, including the premiership (Protsyk 2003, 1079). The position of prime minister was a particularly valuable resource with which to mediate between oligarchic groups because of the significant independent

formal powers associated with that position (Protsyk 2003, 1082). However, the presidency carried significant decree power, which allowed Kuchma to make appointments in the state apparatus not just at the cabinet level, but at the deputy level and below, including local appointments (Protsyk 2004, 649). Protsyk and Wilson (2003, 19) documents the extensive use of decree power by Kuchma, especially in terms of appointments, even relative to Russia, case in which the president also holds significant decree power, and argues that appointment decrees were a central instrument of Kuchma's control over the state administration, which he used in turn used as a tool with which to garner personal political support. In this sense, Kuchma's use of presidential decrees to staff cabinet level positions and higher level civil service positions served to politicize the state administration.

In addition, the formal decree powers of the president allowed Kuchma to staff positions in the regional bureaucracies, ensuring that a vertically integrated state apparatus worked to support him politically. These local officials, often associated with a geographically based clan or other set of local business interests were allowed to establish local "fiefdoms," with the expectation they would support Kuchma's political interests in presidential and parliamentary elections (Karatnycky 2005, 3). Matsuzato (2001), in an analysis generally confirmed by Konitzer-Smirnov (2005), finds that the most important determinant of turnover in regional governors following the 1998 parliamentary elections and the 1999 presidential elections was not the economic performance of regions, but political management—the capacity of the regional governor

to turn out votes for Kuchma or his preferred parties or candidates. Matsuzato traces the turnover in regional governors through three "generations" under Kuchma—a first generation of nomenklatura officials that occupied the governorships following independence, a second generation of technocrats appointed by Kuchma upon his election to his first term and ostensibly tasked with reform, and a third generation that replaced these technocrats in cases in which they did not fulfill his electoral goals. Specifically, while strong local political machines in the east, particularly Donetsk and Dnipropetrovsk, reliably turned out the vote for Kuchma, and popular opinion was so opposed to Kuchma in the far western regions that he could write off those votes, regional electoral performance was the most important determinant of regional elite turnover in the swing "red belt" of central and southern Ukraine in 1999. In these cases, governors that produced higher than expected performance vis a vis the KPU candidate retained their positions, while those that underperformed were replaced. This dynamic would have produced powerful incentives for regional elites in much of Ukraine to use the state bureaucracy and local state-owned enterprises to mobilize votes for the president. In fact, Matsuzato goes so far as to say that people voted unwillingly for Kuchma in 1999, having been subject to large scale administrative mobilization, including the direct coercion of employees in the education and health care systems (Matsuzato 2001, 470).

Informal Institutions

Patron-client Networks

In addition to these formal institutional features, an overlapping set of informal institutions contributed to Kuchma's politician's dilemma. Leonid Kuchma was a patronal president that maintained power by selectively distributing access to state resources to a set of competing geographically based economic clans. Within this context, corruption associated with positions in the state administration was one part of a system in which Kuchma used preferential access to state resources, including trade licenses, protection of monopolies, tax benefits, and preferential state contract awards to mediate between these oligarchic groups. In return, these oligarchs provided political support for Kuchma in the form of financial resources, favorable treatment in media holdings, and political machines under the cover of ideologically amorphous political parties.

Again, Ukraine's oligarchic clans emerged as well-placed Communist Party nomenklatura officials took advantage of privileged access to secure formerly state-owned resources at bargain prices in rigged privatization auctions following the collapse of the Soviet Union. This process resulted in the emergence of three primary oligarchic "clans", focused around the resources available in distinct geographic regions, with the Donetsk clan controlling metallurgy and coal mining in the Donetsk Basin (*Donbas*), elites in Dnipropetrovsk controlling assets associated with mining and value-added metal processing (Åslund 2005, 335), as well as with the transit of energy resources through

Ukraine (Shelley 1998, 653), and those in Kyiv controlling real estate, construction, banking, and travel assets (Shelley 1998, 650).

In order to protect these consolidating financial-industrial interests, especially from perceived threats from the leftist opposition Communist Party of Ukraine (KPU) and Socialist Party of Ukraine (SPU) the oligarchs began to exert more explicit political influence in the 1998 parliamentary election cycle (Kuzio 2005, 118). As a vehicle for this political influence, the oligarchic groups created or co-opted respective political parties, ostensibly centrist in nature, but in fact lacking any concrete ideology or policy program (Kuzio 2005, 118; Protsyk and Wilson 2003, 704). For example, Kyiv oligarchs Viktor Medvedchuk and Hryhoriy Surkis co-opted the Social Democratic Party of Ukraine (United) (SDPU(o)), while Serhiy Tihipko's Labour Ukraine (*Trudova*) represented Dnipropetrovsk interests, including those of Viktor Pinchuk, one of Ukraine's richest men and son-in-law of Kuchma. The Party of Regional Revival of Ukraine was formed in 1997 to represent Donetsk interests, and later merged with several smaller parties to form the Party of Regions, which would become associated with Ukraine's richest oligarch, Rinat Akhmetov, and Viktor Yanukovych, who became president of Ukraine in 2010 after losing the disputed 2004 presidential election to Victor Yushchenko (Kuzio 2005b, 169-170; Kuzio 2005, 118; Åslund 2005, 335).[70] The lack of any distinguishing policy platforms led Wilson (2005) to describe these parties as "virtual"—although they adopted ostensibly ideological names and slogans, they served primarily as

[70] For a detailed discussion of the oligarchs' political orientation prior to to the 2004 presidential election, see Aslund and McFaul (2006, 17-20).

covers for underlying business interests, and as vehicles of support for the president (see also Kuzio 2005, 118; Protsyk and Wilson 2003, 704).[71]

Indeed, party competition in Ukraine was clientelistic rather than programmatic (Protsyk 2003,1079; Protsyk and Wilson 2003, 705). In terms of elite membership, the centrist parties employed coercion or inducements to gain individual support for their parliamentary factions. Similarly, these parties did not gain support from voters by offering a clear program or ideology, but through promises of club goods, and to a lesser extent, vote buying and coercion (Protsyk and Wilson 2003, 705; Kuzio 2005b, 169-170). During Kuchma's tenure as president, Ukraine's parliament, the *Verkhovna Rada* (Supreme Council) was characterized by low party loyalty, and low cabinet stability.[72] Protsyk and Wilson (2003) attribute this volatility to the *Rada's* unique institutions, including procedural norms permissive of switching, and a minimum threshold of 14 deputies to form a parliamentary faction. These institutional features facilitated the use of coercion or inducements, including blackmail, intimidation, and political patronage to secure faction defections and ad hoc votes on specific issues, especially from deputies elected as single member district representatives (Protsyk and Wilson 2003, 705).[73]

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[71] It should be noted the concept of "virtuality" is not limited to these parties. For example, current President Petro Poroshenko's Solidarity Party was also perceived to be "virtual", a cover for elite interests and lacking any concrete ideology or program. Poroshenko's Solidarity was, in fact, one of the initial components of the Party of Regions, although he would later support Yushchenko and the Orange Revolution, and later for the Revolution of Dignity against Yanunkovych.

[72] Again, see Protsyk and Wilson (2003) for documentation of factional volatility in the *Rada*.

[73] For the 1998 parliamentary elections, the *Verkhovna Rada* was composed of 450 deputies, 225 of which were elected through closed list proportional representation, and 225 of which were elected by plurality vote from single member districts (IFES Election Guide [http://www.electionguide.org/elections/id/1241/] accessed 01/30/2015).

Similarly, Kuchma and the oligarchs through their party factions engineered ad hoc parliamentary majorities using similar methods. Whitmore (2005, 9) argues that structural and institutional features, including a weak party system, parliamentary rules, electoral laws, high party fractionalization, and Ukraine's regional cleavages prevented the formation of a "natural" and durable parliamentary majority. Indeed, Kuchma was never able to orchestrate a stable pro-presidential "party of power" as Putin did in Russia (van Zon 2005, 14). Instead, representatives of centrist parties congealed in temporary majorities around specific economic or financial issues, often including privatization of specific state assets or obtaining preferential tax credits (Kuzio 2005b, 171), or to oppose reforms. For example, on the issue of constitutional reform and executive-legislative relations, the "centrist" oligarchic parties have tended support the president's position, contingent on his ability to provide to them patronage positions, access to state resources, and preferential legal and economic treatment (Protsyk 2003, 1091; Protsyk and Wilson 2003).

Politics in the *Rada*, therefore, in terms of party membership and coalitions, was characterized by shifting constellations of power between centrist oligarchic groups, with the KPU occasionally willing to compromise to isolate the systemic opposition—the SPU, center-right reform parties, and western Ukrainian nationalist parties (Motyl 1997, 440). In order to reward supporters and punish potential defectors, Kuchma attempted to arbitrate between these groups, using a combination of inducements and coercion

(Whitmore 2005, 9). To reward supporters among the oligarchic clans, or to attempt to co-opt neutral or opposition groups, Kuchma primarily employed patronage and preferential access to state resources. His primary tools for the punishment or deterrence of potential defectors was the use of state administrative resources and blackmail.

Corruption as a Political Tool

Within the context of this kind of clientelistic political system, corruption operates not just as economic opportunism, but as a political tool. Recall, for example, the anecdote related by Markovskaya, Pridemore, and Nakajima (2003, 196). The fact that officials involved in corruption and the price of the bribe are public information provides some indication that corruption in Ukraine under Kuchma's administration was primarily a problem of discretion in enforcement, not a lack of formal legal provisions. Indeed, corruption is a crime that requires the perpetrator to publicize his willingness to accept bribes. Yet the inspector from Kyiv suggests the problem runs deeper even than lax enforcement—rather, corruption in Ukraine was hierarchical in nature, with lower level public employees forced or encouraged to participate in corruption by higher level officials that would otherwise be responsible for enforcing anti-corruption regulations. In this sense, corruption operates as a buy-in to the clientelistic system. Markovskasya, Pridemore, and Nakajima (2003, 197) note that the actors in the goods trafficking scheme were able to reach a mutually beneficial solution—the inspector was paid enough in collective donations to profit from his trip to the checkpoint, the customs officers go on

collecting bribes regularly with little threat of oversight, and the entrepreneurs paid a marginal "tax" to continue selling their goods at a profit in Ukraine. The actors, therefore, would seem to have little incentive to support politicians that could credibly threaten to upset a system in which the informal rules, and costs and benefits, are well known to all.[74]

In addition to the "carrot" of a buy-in to the clientelistic system, corruption in Ukraine was a particularly effective political tool because it also provided elites with a "stick" to punish potential defectors. Indeed, the lack of enforcement of corruption regulations may have been due less to a lack of capacity to overcome principal-agent problems, and more to the fact that elites at the highest levels of government, including the President, the Presidential Administration, and power ministries, encouraged corruption among political and economic elites to secure their compliance using blackmail (Darden 2001). In this interpretation, the Ukrainian state is not beset by a weak capacity to monitor and punish economic opportunism by its employees, but instead is highly capable of employing pervasive surveillance to gather compromising material (*kompromat*), which can then be deployed to keep key elites in line, or to compel enterprise owners to mobilize votes (Darden 2001). Darden details evidence from the Melnychenko tapes, recordings of Kuchma and his associates made by one of Kuchma's bodyguards, of the use of kompromat against former prime minister Pavlo Lazerenko for

[74] For a similar case, see Taylor's (2011) analysis of law enforcement in Russia, in which he presents a 'menu' of bribes for everything from low level services to high-level ministry positions, the prices of which are relatively well-known.

his political opposition, and of similar plans for his associate, Yulia Tymoshenko (Darden 2001, 68). However, for the purposes of understanding the central problem of anti-corruption reform in a clientelistic political system, Darden's analysis of the use of corruption and blackmail for voter mobilization is particularly important. Darden presents explicit evidence from the Melnychenko tapes that Kuchma personally ordered his interior minister, Yuriyy Kravchenko, and his head of the State Security Service (SBU), Leonid Derkach, to blackmail heads of collective farms, a source of support for Kuchma's communist opposition, to produce a specific number of votes in the 1999 presidential election (Darden 2001, 69). Darden contends these were not isolated directives, noting that the OSCE characterized interference by public sector employees was "widespread, systematic, and coordinated."[75]

Corruption under Kuchma, therefore, served as a powerful combination of inducements and coercion to reinforce an equilibrium from which none of the key actors have any incentive to defect. High level political or economic elites like Lazarenko or Tymoshenko are faced with a decision between two strategies: 1) tacitly support the president politically, while continuing to secure economic gains from system of corruption that was mutually beneficial, but which produced gains that were low relative

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[75] OSCE-ODIHR Report, "Ukraine Presidential Elections October 31st and November 14th, 1999: Final Report. Warsaw, March 7, 2000. pp. 17. Quoted in Darden 2001, 69. In similar case, Russia, Frye, et al. use and original survey to conclude that 24% of firms reported engaging in political campaigning, and 25% of employees asserted their employers attempted to influence their voting decisions. The authors use a list experiment design to determine that 15% of employees believed their material standing depended on their decision to vote. See Frye, Reuter, and Szakonyi 2014, 196). While I know of no similar experiment in Ukraine, anecdotal evidence, election observation reports, and the evidence from the Melnychenko tapes suggest that the use of coercion for electoral mobilization was significant and centralized under Kuchma.

to the rents they might secure if they replaced Kuchma, or 2) attempt to supplant the president, which would allow access to even greater economic rents (or perhaps even opportunities for good-faith reform), but in the short run would subject the defector to selective enforcement based on past wrongdoings, depriving her both of previous gains and future opportunities for rent-seeking or political influence.

Mid-level public employees or enterprise managers, like the inspector from Kyiv, face a similar dilemma. Were these managers inclined to support any political opposition, doing so would require not only that they forgo significant economic gains from corruption, but that they subject themselves to serious punishment. Finally, lower level enterprise employees or "street-level" bureaucrats may believe their jobs, and the associated opportunities to extract bribes, depend on their political support for the incumbent. And while I do not employ direct evidence that corruption among street-level bureaucrats was actively encouraged by managers under Kuchma's administration (although there is some evidence that police were ordered or encouraged to extract bribes later, under the Yanukovych presidency), the extraction of much larger bribes by superiors ostensibly responsible for their oversight would provide a powerful signal that corruption was a generally accepted way for civil servants to earn their livelihood. In all cases, while some risk-tolerant early movers would be inclined to (and did) move into open political opposition to Kuchma, the bulk of political and economic elites and public sector and enterprise employees would be unlikely to support an opposition or reform

candidate unless they were confident that significant numbers from their cohort would simultaneously do the same.

Kuchma's Solution: A Hedging Strategy

Corruption in the public sector therefore provided Kuchma with a powerful tool with which to manipulate political support among his competing clients. However, in exchange for these benefits, Kuchma traded off wider public support, since corruption in the public sector and the politicization of the state apparatus made him widely unpopular. In order to mitigate this popular disapproval, Kuchma adopted a two-pronged "hedging" strategy—the adoption of a wide variety of formal anti-corruption regulations, and the appointment of technocratic reformers.

Formal Anticorruption Initiatives

The first prong in this strategy was the adoption of several layers of formal anticorruption institutions, both by legislation and presidential decree. Markovskaya Pridemore, and Nakajima (2003) identify three central pillars of the legal anti-corruption framework in Ukraine, consisting of The Law of Ukraine Against Corruption (1995), The Decree of the President of Ukraine "Concerning the Concept to Fight Corruption", Strategic Plan for 1998-2005 (adopted 1998), and "The Decision of the Plenary Meeting of the Supreme Court of Ukraine" 'About the Procedures Related to Corrupt Practices (introduced 1998 and amended in 2001). These central frameworks were supplemented by a new criminal code of Ukraine adopted in 2001. These initiatives defined specific

corrupt behaviors, which in principle included all of the instruments discussed above Kuchma used to perpetuate his regime. This framework also specified the jurisdiction of the law, which ostensibly applied to civil servants, *Rada* deputies, regional governors, and other government officials at all levels. Furthermore, this framework established specific penalties for corrupt acts, including both administrative penalties, and significant fines and prison terms (Markovskaya, Pridemore, and Nakajima 2003).

The persistence of corruption in Ukraine was therefore due not to a lack of rules, but to a lack of enforcement. The Criminal Code's establishment of substantial fines for corruption warrants particular attention because of the emphasis on potential costs in the rationalist literature on corruption (Becker 1968; Becker and Stigler 1974, for example) The 2001 Criminal Code indeed recommends large fines for officials taking bribes. According to the Code, officials who take a bribe may be fined at least 750 times the pre-tax minimum wage for Ukraine. While this threat would be unlikely to deter higher level officials with a salary several times higher than the minimum wage, were there any credible threat of enforcement, it would be particularly intimidating for lower level public sector employees, who were significantly underpaid and whose wages were chronically in arrears. The Criminal Code also addressed the supply side of corruption by establishing penalties for citizens caught offering bribes. These penalties were similarly severe, depending on the magnitude of the infraction, including up to five years imprisonment or a fine up to 500 times the minimum wage (Markovskaya, Pridemore, and Nakajima 2003).

Certainly, the legal framework for anti-corruption in Ukraine was far from perfect. Markovskaya Pridemore, and Nakajima (2003, 199) note, for example, that the 1995 Law of Ukraine Against Corruption failed to specify a distinction between criminal and administrative responsibilities for corruption. Most importantly, parliamentary immunity prevents the prosecution of *Rada* deputies, even when a deputy's conduct clearly violates anti-corruption laws. This loophole is particularly pernicious in the context of Ukraine's anti-corruption initiatives because it creates an incentive for entrepreneurs to run for parliament in order to be in a position to advance their business interests with impunity. According to Shelley (1998), parliamentary immunity also allows politicians to protect the interests of their associates, with whom they are connected in dense networks of financial relationships and informal social relationships. Shelley quotes the security service as asserting at least 44 people with criminal involvement were elected to local government bodies in 1998, and more than 20 *Rada* deputies, including *Rada* speaker Oleh Tkachenko who was accused of embezzlement of foreign aid, could not be brought to trial, according to Hryhoriy Omelchenko, member of the *Rada* Committee on Fighting Organized Crime and Corruption. (Shelley 1998, 658).

However, while some specific institutional changes would facilitate the battle with corruption, by and large, the biggest issue with corruption in Ukraine has not been with the development of an institutional framework, but with the enforcement of anti-corruption regulations. Indeed, given the political importance of corruption in the public

sector, the use of decree power to advertise anti-corruption reform without actually enforcing it was a central part of Kuchma's strategy to stay in power.

Appointment of Reformers

The second prong of Kuchma's hedging strategy included the appointment of notable reformers, most notably Yushchenko, but to some extent former Dnipropetrovsk gas oligarch Yulia Tymoshenko. Indeed, in keeping with his politician's dilemma, Kuchma's political position depended not just on patronage, but on public support, which declined as the corruption associated with patronage increased. As such, his central challenge was the dual imperative to provide good governance within a system of patronage and corruption in the state administration. To this end, Kuchma often appointed technocrats and reformers, especially to positions in less politically important ministries and agencies.[76] However, these appointments were typically removed when the failed to produce political gains for Kuchma, or when their initiatives went beyond superficial reforms to hurt the economic interests of his clients.

Indeed, appointments to cabinet level positions and regional governorships under Kuchma often included technocrats ostensibly responsible for producing good governance, at least in an economic sense. Protsyk (2003), for example, notes that none

[76] By politically important, I mean here state organs with associated formal powers that Kuchma used to manipulate political supporters and potential opposition—namely, the state security services, including the Interior Ministry, the Finance Ministry, and ministries and agencies with access to patronage, like the Transport ministry.

of Kuchma's ten cabinets had any unified party affiliation, and that the main criterion for appointment was technocratic expertise in the appointees respective area of governance. Similarly, Matsuzato (2001) notes that in his first term, Kuchma replaced nomenklatura regional governors with technocrats ostensibly tasked with generating reform and economic growth.[77] However, following Kuchma's election to a second presidential term, and facing continuing economic crisis, Kuchma and the oligarchs apparently agreed to make the politically risky appointment of former Central Bank governor Viktor Yushchenko to the post of prime minister—an office with significant formal powers of its own relative to the president.[78] Yushchenko served as a particularly strong advertisement of Kuchma's reform intentions, as he was widely seen as the only economic politician capable of managing a response to the economic crisis (Karatnycky 2005, 3-4; Åslund 2005, 328). As head of Ukraine's central bank since 1993, he was credited with the development of the state currency, and with macroeconomic stabilization following the 1998 financial crisis (Åslund and McFaul 2006). Of course, whatever true reform intentions Kuchma may have had, Yushchenko was sacked after the immediate danger of the crisis passed, and his reform efforts began to infringe on the economic interests of the oligarchs.[79]

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[77] Again, facing electoral pressure associated with parliamentary elections and his own re-election, Kuchma replaced these technocrats where they could not fulfill his political goals Matsuzato (2001).

[78] See Protsyk (2003) and Hale (2011) on use of the position of prime minister as a vehicle for opposition to the president.

[79] This process will be discussed in more detail in the following section.

Stage 1 Conclusion

This set of initial conditions, what I have termed the "status quo equilibrium," provided an environment in which the early party-building decisions of Ukraine's reformers locked them on to a path of reform failure that would become increasingly difficult to reverse. I argue that in this highly clientelistic environment, in which corruption served as a central tool to maintain the ruling coalition, the incumbent president faced a "politician's dilemma"—public sector reform might have produced long term benefits in public support, but at the risk of losing the short term support of key oligarchic supporters. President Kuchma's response was to a adopt a "hedging" strategy —nominal reform initiatives with little enforcement, combined with the appointment of technocratic reformers to key positions, most importantly former Central Bank head Viktor Yushchenko to the post of prime minister. This hedging strategy, in turn, created the central problem of credible commitment for emerging reformers—in this case Yushchenko, who went immediately into opposition upon his removal as prime minister in 2001.

Given the incentives for presidential candidates in Ukraine to falsify their reform preferences, true reformers must credibly commit to reforms in order to coordinate political and economic elites and public sector employees. In the next section, I argue that one such opportunity to commit to reform at an early stage is in the process of political party formation. Specifically, I argue that Yushchenko's decision to contest the 2002

Rada elections and the 2004 presidential election with an electoral bloc that acted as an umbrella for a collection of smaller, pre-existing clientelistic networks locked the Orange coalition on to a path of preserving the status quo that became increasingly difficult to reverse, even assuming Yushchenko was indeed a good faith reformer. Without incorporating new constituencies into a formal opposition party structure, Yushchenko, his allies, and their coalition partners in the post-Orange revolution government were unable to credibly commit to abandoning patronage appointments to the state administration, leaving in place many of the same formal and informal institutional constraints that created the politician's dilemma for Kuchma in the first place.

Stage 2: Reformer Emergence and Party Building

Upon his dismissal as prime minister in 2001 in a no-confidence vote engineered by a temporary coalition of the centrist oligarchic parties and the Communists, Yushchenko moved immediately into opposition with plans to contest the upcoming 2002 parliamentary elections with an independent political party. Approaching the 2002 elections, the central opposition figures, including Yushchenko faced the central problem of credible commitment to reforms inherent in clientelistic systems. While Yushchenko previously developed a personal reputation as a reformer from his earlier performance as central bank head and later prime minister, he still faced significant obstacles to reputation building among most of the Ukrainian population, which was skeptical of all

politicians. Yushchenko's early strategy for political party development did little to bolster this reputation.

Specifically, Yushchenko's strategy for developing an opposition party was primarily to aggregate pre-existing parties centered on economic patrons and their specific constituencies, rather to invest in the higher startup costs of ideological or programmatic party building. Conceiving of party development as endogenous at this stage—that is, elites create parties as a vehicle through which to pursue their electoral goals—this early decision by Yushchenko impeded the later process of public sector reform in Ukraine by impeding the coordination of opposition elites. In terms of the theoretical framework, the failure to incorporate a latent group with the interest and capacity to monitor the party's pursuit of public goods allowed associate elites to continue to pursue narrow political and economic interests. Lacking a wider ideological or programmatic basis for party organization, Yushchenko's Our Ukraine electoral bloc provided no incentive for elites, both within the bloc and outside it, to abandon short-term electoral ambitions. In the following section, I argue this early decision on party building began to impede reform as competing reform-minded parties institutionalized a state of constant electoral competition that discouraged the implementation of a reform program with longer-term benefits.

The Political Environment for Reformer Emergence, 1999-2001

Yushchenko's emergence as an opposition politician began with his appointment to the post of prime minister in December 1999. Kuchma drew on Yushchenko's reputation as a technocratic manager stemming from his management of Ukraine's economic crisis in the late 1990s as head of the central bank. Perhaps feeling insulated from serious electoral challenges following his election to a second term, Kuchma, with the cooperation of the oligarchs, appointed Yushchenko to manage the government's response to the ongoing financial crisis. At the time of Yushchenko's appointment, the centrist parties aligned with center-right parties like the National Democrats in order to marginalize the leftist SPU and KPU (Kuzio 2005, 119). However, the centrist oligarchic support for Yushchenko faded as the economic crisis passed.

As prime minister, Yushchenko introduced a series of reform efforts, many of which were stymied by entrenched interests associated with Kuchma's administration. Following his appointment, Yushchenko launched a series of economic reforms, focusing on privatization and macro-economic stabilization, including inflation control and a balanced budget, as well as reductions in the state bureaucracy (Kuzio 2005, 119). Yushchenko's reforms made some modest anti-corruption gains, especially through the elimination of tax benefits in the energy sector, which returned US$ 2 billion to the state budget, which was used to pay wage arrears to chronically underpaid state employees (Kuzio 2005, 119). However, the focus on reforms in the energy sector specifically provoked opposition from the oligarchs that backed Yushchenko's centrist party coalition partners.

At the same time, Kuchma himself was becoming increasingly politically unpopular. Kuzio (2005, 118) notes that Kuchma was never particularly popular in the first place, having been re-elected in 1999 at least partially through protest votes against KPU candidate Petro Symonenko, who opposed Ukrainian statehood. However, Kuchma's popularity took a further hit during the "Kuchmagate" crisis, when Socialist Party leader Moroz released a series of audio recordings of Kuchma and his associates made by his bodyguard, Melnychenko. Among other incidents of the explicit ordering of state employees to blackmail potential political opponents, the Melnychenko tapes implicated Kuchma in the murder of *Ukrainskaya Pravda* journalist Giorgiy Gongadze.[80]

The Kuchmagate crisis, or "cassette scandal" prompted the "Ukraine Without Kuchma" protest movement, a series of relatively small demonstrations in late 2000 and early 2001 by Kyiv liberals, supported only by Tymoshenko's *Batkivshchina* party and Moroz's Socialist Party (Kuzio 2005, 121. *Batkivshchina* and the SPU also began to work together in the *Rada* as the National Salvation Front under a center-right agenda (Kuzio 2005, 121). As prime minister, Yushchenko opposed the "Ukraine Without Kuchma" movement, going so far as to label the protestors as fascists in a joint letter with Kuchma and *Rada* Speaker Ivan Plyushch (Kuzio 2005, 121). Although the protests eventually dwindled, Kuchma's declining popularity and the concurrent conflict between

[80] See Darden (2001) for details.

Yushchenko and Kuchma's oligarch supporters ruptured the pro-government coalition of center-right parties and the centrist parties of the oligarchs.

Despite Yushchenko's unprecedented high public popularity stemming from his reform efforts and reputation for honesty, the oligarchic parties aligned with the KPU to remove him in a vote of no-confidence after a series of reform efforts hurt their underlying business interests (Kuzio 2005b, 180). Following Yushchenko's dismissal, Medvedchuk's SDPU(o) and the For a United Ukraine bloc (ZYU), an electoral alliance representing the Donetsk and Dnipropetrovsk clans, despite winning only 54 total deputies in party list voting in the subsequent 2002 elections, were able to engineer a pro-presidential majority of 230 deputies by attracting 140 deputies from single-member districts, and an additional 30 deputies from the opposition. this conflict with the oligarch patrons of the centrist parties that formed the basis for the pro government coalition created a political crisis in the *Rada*, resulting in Yushchenko's removal as prime minister in a vote of no-confidence in April 2001 (Kuzio 2005, 120).

Yushchenko and The Development of Our Ukraine

Yushchenko's sacking and his movement into open opposition to Kuchma provided the first opportunity to begin to incorporate outside constituencies into his political coalition. Despite Yushchenko's personal charisma and relative popularity stemming from his performance as central bank governor and limited reform success as prime minister, the opposition to Kuchma that emerged in 2001 faced significant hurdles

in reputation-building. Specifically, Ukrainian voters, despite an obvious frustration and distrust with Kuchma, were also suspicious of the wider political elite, including the opposition[81], which by early May 2001 included Tymoshenko's *Batkivshchina* (Fatherland), a collection of center-right parties including the Reforms and Order party and both successors of the Ukrainian People's Movement (*Rukh*) led by Hennadiy Udovenko and Yuriiy Kostenko,[82] far-right parties including the Congress of Ukrainian Nationalists, and Moroz's SPU on the left. Furthermore, due to Ukraine's regional split, and the influence of political machines associated with the oligarchic clans allied with Kuchma in the eastern part of the country, no opposition candidate was likely to receive broad-based electoral support. Yushchenko, therefore, faced significant barriers to establishing his reputation among voters, despite the fact that he was the most popular individual politician in the country. His response to this problem of establishing reputation was not to invest in the high-startup costs of building an ideological or programmatic party with which to contest the 2002 parliamentary elections, but to aggregate a collection of vaguely center-right, but clientelistic parties under the umbrella of the Our Ukraine (NU) electoral bloc.

As early as May 2001, Udovenko's *Rukh* offered Yushchenko the chair of its electoral bloc composed of a core of *Rukh*, the Reforms and Order party, and the Congress of Ukrainian Nationalists, with the intention to attract a wider circle of center-

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[81] See Kuzio (2005, 184-185) for an overview of this public opinion data.

[82] The Ukrainian People's Movement split over an internal dispute prior to the 1999 presidential election.

right democratic parties.[83] Yushchenko initially announced an intention to "consult with various democratic forces,"[84] clearly demonstrating a strategy focused on uniting existing center-right democratic parties, rather than contesting the 2002 parliamentary elections with a new party that mobilized external constituencies. Indeed, the Udovenko *Rukh* bloc formed the core of Yushchenko's Our Ukraine electoral bloc, formed in summer 2001. The Our Ukraine bloc eventually attracted the support of ten political parties, including the core of *Rukh* (Udovenko), Reforms and Order, and the Congress of Ukrainian Nationalists, *Rukh* (Kostenko), and the virtual Solidarity party formed by dissident oligarch Petro Poroshenko after his split from the pro-Kuchma Party of Regions, along with several smaller parties (Katchanovski et al. 2013). At the same time, Moroz and Tymoshenko continued preparations for the 2002 parliamentary elections under the framework of the National Salvation Front. While the SPU and *Batkivshchina* would coordinate electoral opposition to the pro-Kuchma For a United Ukraine (ZYU) bloc with Yushchenko's Our Ukraine, neither would formally merge, despite overtures from Tymoshenko and Moroz in October of 2001.[85] From the outset, Yushchenko would serve as a focal point for a collection of political forces with a common interest in opposing

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[83] "Ukrainian People's Rukh Party to Run for Parliament in Yushchenko's bloc," ITAR-TASS, 05/05/2001. Accessed via World News Connection [http://wnc.eastview.com/wnc/advanced/doc?art=289&id=36675466] 04/21/2015.

[84] "People's Rukh of Ukraine offers Yushchenko chairman position of electoral bloc," ITAR-TASS, 05/06/2001. Accessed via World News Connection [http://wnc.eastview.com/wnc/advanced/doc?art=292&id=36660755] 04/21/2015.

[85] "Center-right party leader says unification offer by Ukrainian socialists a PR event," *Ukrayina Moloda,* 10/18/2001. Accessed via World News Connection [http://wnc.eastview.com/wnc/advanced/doc?art=320&id=36558241] 04/21/2015.

Kuchma and the oligarchs, but who lacked any larger unifying ideology or organizational structure.

Indeed, Kudelia and Kuzio (2014) characterize Our Ukraine as an "individual-led" clientelistic party, in which political and economic elites coalesce around a popular or charismatic single leader that could guarantee electoral benefits by association. Our Ukraine's constituent parties included a collection of existing minor parties that were ostensibly nationalist, liberal, or national-democratic, but in fact were also "virtual," lacking any clear ideology and serving primarily as cover for the underlying business interests (Kudelia and Kuzio 2014, 16). Our Ukraine also drew support from individual economic elites including candy magnate Petro Poroshenko, and the *Razom* (Together) group, an informal association of minor oligarchs and businessmen, including Roman Bezsmertnyy, Oleh Rybachuk, Yevhen Chervonenko, Davyd Zhvaniya, Mykola Martynenko, and others, not associated with any of Our Ukraine's constituent parties.[86]

Furthermore, an analysis by Protsyk and Wilson (2003) suggests that despite moving into open opposition, the Our Ukraine's constituent parties had access to significant patronage resources during the time period of Our Ukraine's formation. They develop an index of clientelistic access that measures the "percentage sum of faction seats controlled by politicians with immediate access to government resources at the

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[86] Amchuk, Leonid, "The Yushchenko Government: Who Lobbied Whom for What," *Ukrainskaya Pravda*, 02/08/2005, via World News Connection [http://wnc.eastview.com/wnc/article?id=31971252] accessed 04/10/2015.

moment of parliamentary elections (Protsyk and Wilson 2003)."[87] This index indicates that while the centrist oligarchic parties, including Medvedchuk's SDPU(o) (28%), the Party of Regional Revival (later the Party of Regions) (39%), and the Dnipropetrovsk-based Labour Ukraine (33%) party maintained the highest level of clientelistic access, the center-right parties that made up the main opposition electoral blocs also maintained high levels of clientelistic access. Our Ukraine's main constituent parties, Reforms and Order (19%), and the branches of *Rukh* (18% and 24%) maintained a level of access that was not as high as the oligarchic parties, but still significantly higher than the more ideological parties on Ukraine's political spectrum, including the Communist Party (8%) and Moroz's Socialist Party (4%).

In addition to these patronage resources, Our Ukraine received significant financial and administrative support from its own associated oligarchs, including Poroshenko. Indeed, the bloc's own electoral coordinator, Roman Bezsmertnyy, Kuchma's former representative to the *Rada* who joined Our Ukraine in October 2001, highlighted the difficulty of coordinating the bloc's disparate factions and interests. In an interview with pro-Yushchenko newspaper *Ukrayina Moloda*, Bezsmertnyy noted,

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[87] The authors focus on two occupational categories assumed to be preferential state clients: "high government officials" includes politicians that held important executive branch positions including ministers, ministry department heads, presidential administration department heads, heads of administrations at the *oblast*, city, and *rayon* levels, regional governors, mayors, and high offices in the judiciary. "Public enterprise directors" includes heads and deputy heads of state-owned enterprises and collective farms (Protsyk and Wilson 2003, 709-710). The authors are careful to emphasize the index captures the potential for engaging in clientelistic practices, not the actual level of engagement (pp. 709).

> "At the moment, a range of political parties, to be specific, 14 of them, and 30 public organizations have already signed a declaration on the bloc's creation and support. At the moment, the most complicated issue is the coordination of positions of those which have already entered the bloc. As well as further work with bringing in other forces. We are taking two paths, that is, we are working with those who are turning to use about support at their own initiative, and those which we need in order to be able to broaden the political and public range. Talks are being held continually."[88]

In a follow-up question on Our Ukraine's electoral audience, he answered,

> "This is not an easy question at the present time. Almost all the participants of the bloc have their own electoral base and one cannot add to it through arithmetic means. If we proceed from the features of Yushchenko's work as prime minister, then the results of the analysis clearly show that supporters, people who believed in the possibility of positive changes, appeared in almost every electoral segment. There is another issue, namely that a certain amount of electoral tension exists which will scatter this electoral base. I understand perfectly well that from the point of view of new political forces these elections will be crucial to Ukraine's fate."[89]

Bezsmertnyy's responses indicate an understanding of the difficulty of coordinating electoral constituencies with no common underlying program, ideology, or common constituency. Indeed, as the coordinator of the bloc, he appears to have understood his task less as building a coherent party to advance a common agenda, than as coordinating political forces with little in common beyond opposition to the incumbent Kuchma.

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[88] Dutsyk, Diana, "Ukrainian presidential spokesman discusses role in election bloc," *Ukrayina Moloda,* 11/02/2001. Accessed via World News Connection [http://wnc.eastview.com/wnc/article?id=36549438] 04/22/2014.

[89] Ibid.

Stage 2 Conclusion

Yushchenko, therefore relied on a strategy of co-opting existing political patrons to provide an electoral machinery for a party centered on his personality and reputation for reform, rather than undertaking the costs of building a programmatic or ideological political party from scratch. This early decision to contest the 2002 parliamentary elections with a bloc of aggregated patronage parties would have strong lock-in effects on Yushchenko's efforts at public sector reform following the 2002 parliamentary elections and through the Orange Revolution. Unwilling to incorporate personnel from outside these patronage networks at formation of Our Ukraine, Yushchenko was locked in to a zero-sum game for the distribution of state resources to key supporters with his Orange coalition partners, including Our Ukraine's constituent parties, Moroz's SPU, and Yulia Tymoshenko's political bloc. As a result, the distribution of public sector posts in exchange for political support precluded incorporating professional managers that would implement merit-based recruiting practices. Furthermore, the need to reward clients limited the future policy options of the Orange coalition, as priority was given to policies that rewarded supporters with private and club goods, rather than produce public goods that would benefit citizens at the expense of Yushchenko's clients. Once captive to personalized interests at the outset, the patronage based nature of Our Ukraine became very difficult to reverse.

Stage 3: Transition and Institutional Selection

Yushchenko's early decision to aggregate existing clientelistic parties in an electoral bloc rather than to invest in programmatic or ideological party building locked Ukraine on to a path of maintenance of the status quo that was difficult to reverse. The reliance on existing patrons to provide reputation and electoral support failed to solve the collective action problem facing reform elites. That is, Yushchenko's failure to incorporate emerging reform constituencies using programmatic or ideological appeals meant that his Our Ukraine electoral bloc lacked a latent group that could monitor constituent elites pursuit of common party goals. With no formal internal constituency or organization to monitor elites pursuit of public goods, elites continued to pursue short term individual interests.

Therefore, even when the opposition was able to seize power in a popular protest movement sparked by fraudulent elections, these groups of disparate and uncoordinated elites negotiated an institutional configuration that crystallized a state of short-term electoral competition between competing opposition parties. Specifically, the Orange Revolution produced a "dual-executive" constitution in which the president and prime minister possessed roughly equal formal power. While this constitutional arrangement did not take effect until January 2006, a coalition agreement between the major opposition parties prior to the Orange Revolution allocated to each significant ministerial portfolios, and associated opportunities for patronage. Given the immediate need to contest

parliamentary elections within 18 months, Ukraine's twin executives continued to rely on clientelism that delivered sure votes in the short-term, rather than risk a disruptive public sector reform program with uncertain long-term effects. Although Yushchenko and Tymoshenko repudiated both the use of corruption as a political tool, and the use of state administrative resources for election manipulation, the need to reward loyal clients precluded comprehensive bureaucratic reorganization or serious efforts to eliminate corruption in the public sector.

The Political Environment in Transition: March 2002-January 2005

The Post-2002 Environment

Following Yushchenko's dismissal as prime minister in 2001, opposition parties fared well in the March 2002 parliamentary elections. Yushchenko's 'Our Ukraine' bloc won 24% of the party list vote for 70 seats, with an additional 42 in the single-member district contests.[90] Tymoshenko's bloc added another 22 seats on 7% of the party list vote.[91] Despite the dominance of pro-Kuchma factions in the SMD races, Our Ukraine almost doubled the pro-Kuchma bloc 'For a United Ukraine' (ZYU) result in the party list voting, providing an indication of Yushchenko's viability as a presidential candidate in 2004. Thus in advance of the October 2004 presidential elections, political and economic

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[90] The 2002 parliamentary elections were contested under a mixed electoral system, with half of seats allotted according to proportional representation, and half contested as single-mandate districts.

[91] Kuchma retained a friendly majority, however, by winning 86 seats in highly manipulated single-member district races, and then peeling off smaller factions with a combination of incentives and coercion (Karatnycky 2008, 34-35).

elites faced the challenge of deciding whether to support an unpopular incumbent with control of significant formal administrative power and informal patronage resources, or an alliance of disparate opposition networks centered on prominent personalities (Hale, 2011). However, lacking any programmatic or ideological rationale underlying the opposition, the presidential campaign was characterized by a process of short-term instrumental coordination around candidates whom elites estimated were most likely to provide access to resources following the election.

The political environment following the 2002 parliamentary elections became increasingly precarious for the oligarchs and their centrist parties in the *Rada*. Despite performing poorly in the party list voting, the constituent parties of the pro-Kuchma ZYU bloc, including the Party of Regions, and Medvedchuk's SDPU(o) formed a majority coalition with 140 single member district representatives, and 30 defectors from opposition parties (Kuzio 2005b, 171-172). Meanwhile, Kuchma delegated more power to Medvedchuk and the Kyiv clan through appointments to executive positions. Kuchma appointed Medvedchuk head of the Presidential Administration, granting control of significant formal and informal power, including executive branch appointments and decree power (Bukkvoll 2004, 14-15). However, a combination of the ascendence of the Donetsk clan, combined with a succession crisis surrounding Kuchma spurred a process of elite coordination around Yushchenko as the most viable opposition candidate for the 2004 presidential elections.

First, the Donetsk clan gained significant influence with the 2002 appointment of Donetsk governor Viktor Yanukovych to the post of prime minister following Kuchma's sacking of the Anatoliy Kinakh government that replaced Yushchenko. Second, in advance lacking any unifying ideology, the parliamentary majority formed by the SDPU(O), the former ZYU parties, and the majoritarian deputies, collapsed (Kuzio 2005b, 171-172). Second, rather than run for a third term, despite a ruling from the Constitutional Court allowing him to do so, Kuchma threw his support behind Yanukovych as his preferred successor for the 2004 presidential election. This decision perhaps reflected Kuchma's recognition of his own unpopularity, and a desire to leave the office in the hands of a figure sympathetic to the interests of his clients (D'Anieri and Kuzio 2007, 130). However, Kuchma's decision to support Yankovich as a presidential candidate proved to be a misstep, as the threat of Donetsk control of both the executive and the legislature provided an incentive for the Dnipropetrovsk oligarchs and smaller scale businessmen in Kyiv to gravitate toward Yushchenko (Kuzio 2005b, 178).

Opposition Coordination in the 2004 Presidential Election

The period between the 2002 parliamentary elections and the 2004 presidential was characterized by a gradual process of the coordination of the major opposition groups around Yushchenko as the most viable reform candidate. However, this process was driven largely by Yushchenko's popular reputation, and by expectations he would maintain ongoing access to political patronage following the election. While disparate

opposition groups were indeed able to cooperate to secure Yushchenko's victory through the Orange Revolution, this process was much more rocky than the outcome would suggest.

Indeed, the lack of an underlying programmatic or ideological basis for the Our Ukraine parliamentary faction led to serious infighting not just between the main opposition figures of Yushchenko, Tymoshenko, and Moroz, but among the constituent groups of *Our Ukraine* itself. As early as August of 2002, senior *Our Ukraine* official Oleh Rybachuk, in an interview regarding Yushchenko's presidential ambitions, noted Yushchenko's team was tenuous, referring in particular Kuchma's administration's efforts to apply pressure to secure defections from the *Our Ukraine* bloc in the *Rada*.[92] Rybachuk's concerns indicate that Yushchenko's coalition following the 2002 parliamentary election depended in large part on elite expectations that Yushchenko would have access to patronage resources associated with the presidency after 2004.

In fact, in preparation for the presidential election, Our Ukraine was less of a coherent political force than a source of competition for its constituent parties. The value of Our Ukraine lay primarily in its brand, specifically its association with Yushchenko, that could provide an electoral advantage to the parties or elites that could manage to

[92] Masalskyy, Andriy, interview with Oleh Rybachuk, *Ukrainskaya Moloda*, 08/22/2002. Accessed via World News Connection [http://wnc.eastview.com/wnc/article?id=36344588] 04/25/2015.

appropriate the name.[93] As such, in summer of 2004, members of the Our Ukraine bloc began discussions on consolidating the electoral bloc into a unified political party to support Yushchenko in the forthcoming elections. Beyond their mutual interest in defeating Yanukovych, however, the leaders of Our Ukraine's constituent parties had little in common. Talks of consolidating Our Ukraine into a coherent party quickly devolved into competition over who would control the resulting party, presumably for the purposes of contesting the next parliamentary elections, scheduled for 2006.[94]

For example, during a party congress in July of 2004, the Reforms and Order party unilaterally renamed itself "Our Ukraine." While there was some confusion among Reforms and Order representatives about whether the party congress declaration actually renamed the party, the declaration was clearly an initiative by Reforms and Order to shape the process of political party formation around the Our Ukraine electoral bloc.[95] According to Serhiy Sobolev, a Reforms and Order representative, the declaration suggested the party should take the initiative to approach the other Our Ukraine bloc partners to set up a single party.[96] However, these partners clearly had different ideas

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[93] Amchuck, Leonid, "Scandal in Our Ukraine: the Fight for 2006?" *Ukrainskaya Pravda,* 07/21/2004. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35717589] accessed 04/27/2015.

[94] By law, Ukrainian presidents could not be political party members. Therefore, were Yushchenko elected president, he would necessarily leave the chairmanship of Our Ukraine in the hands of one of the leaders of the competing parties.

[95] Amchuck, Leonid, "Scandal in Our Ukraine: the Fight for 2006?" *Ukrainskaya Pravda*, 07/21/2004. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35717589] accessed 04/27/2015.

[96] Ibid.

about how the formation of the party should proceed. Kostenko of the Ukrainian People's Party (UPP, formerly Kostenko's branch of *Rukh*), for example, preferred that a unified Our Ukraine party adopt a center-right ideology, and include the People's Movement of Ukraine (Udovenko's *Rukh*), possibly Reforms and Order, and some smaller parties.[97] In contrast, Reforms and Order apparently preferred a more centrist stance, organized primarily around a nucleus of Reforms and Order and *Razom*, the informal association of businessmen close to Yushchenko.[98] Notably, this conceptualization of an Our Ukraine party did not include either of the *Rukh* successor parties.

At a broader level, while the major opposition blocs maintained a general commitment to backing Yushchenko as a single opposition candidate, this cooperation was contingent on a process of bargaining that continued through the end of the Orange Revolution. In July 2004, Tymoshenko and Yushchenko signed an agreement that created an association of their respective parliamentary factions called *Sila Naroda* (People's Power), and approved a joint program to support the campaign of Yushchenko as a unified presidential candidate.[99] Notably, the agreement included an arrangement for the distribution of cabinet posts according to the vote share earned by each bloc during the

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[97] Ibid.

[98] Ibid.

[99] "Ukraine's Opposition Leaders Sign Election Pact Backing Yushchenko," *Interfax-Ukraine,* 07/02/2004. Accessed via World News Connection.

2002 *Rada* elections.[100] Despite this agreement, the coalition partners, specifically Tymoshenko and Poroshenko from Yushchenko's camp, disagreed in important ways about the best way to resolve the 2004 presidential election.[101] Meanwhile, Moroz continued to urge cooperation between the political left (including the KPU) and Yushchenko's bloc, to back a single candidate and combat electoral manipulation.[102] However, Moroz contested the first round as a separate candidate, throwing his support behind Yushchenko only in the second round, conditional primarily upon an agreement on constitutional reform.[103] In turn, in the second round, Yushchenko relied heavily on Moroz's leftist constituency, especially in Ukraine's "Red Belt" in the central and southern parts of the country.[104]

However, any cooperation between opposition groups was instrumental in nature, and not due to any common ideology or policy program. As the most popular single politician in Ukraine, Yushchenko stood the best chance of unseating the Donetsk clan, and therefore Tymoshenko and Moroz were willing to support his presidential candidacy.

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[100] Ibid. Cabinet posts were a central bargaining chip between opposition groups in advance of the election, which had a lasting effect on the capacity of the Orange Coalition to implement reforms. This effect will be discussed in more detail in the next section.

[101] "Tymoshenko and Poroshenko of the Yushchenko coalition have nearly quarrelled", *Ukrainskaya Pravda*, 12/07/2004. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35756654].

[102] "Ukrainian Socialist Leader Says Unite to Beat Dirty Election Tricks," *Interfax-Ukraine*, 07/12/2004. Accessed via World News Connection.

[103] "Ukrainian Socialists Inclined to Back Opposition Candidate," *Interfax-Ukraine*, 11/01/2004. Accessed via World News Connection [http://wnc.eastview.com/wnc/article?id=35812620] 04//28/2015.

[104] Chivokunya, Viktor, "Yushchenko—Battle for the Highly Prized Shares. Notes from the Campaign Trail," *Ukrainskaya Pravda*, 08/31/2004. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35784962] accessed 04/27/2015.

From the opposition perspective, therefore, while Yushchenko would be the default choice for president, the post of prime minister and cabinet posts were still up for grabs, and dependent largely on performance in the parliamentary elections scheduled for 2006. As such, the arrangement of executive offices became a central point of contention between the opposition figures on one hand, and between the opposition and the incumbents Kuchma and Yanukovych on the other.

The Orange Revolution: November 2004-January 2005

Indeed, constitutional reform would be a central bargaining chip in the agreement that resolved the Orange Revolution. The contested 2004 presidential election that produced the Orange Revolution was a contest between a relatively popular reform candidate, and the hand-picked successor of an unpopular lame duck president. To contest the election, Yushchenko was able to draw on his high public popularity associated with his reputation for reform and good governance, the electoral administrative resources associated with opposition political parties, a highly mobilized civil society that had engaged in waves of protests against Kuchma since 1999 (Kudelia 2007; Kuzio 2005), and the financial resources of oligarchs and smaller-scale businessmen unsympathetic to a presidential candidate from Donetsk.

Yanukovych, on the other hand, could draw on no such reputation, and relied instead on the financial, administrative, and media resources of Donetsk oligarchs, along with Kuchma's and Medvedchuk's use of state administrative resources to tilt the

electoral playing field. When pre-emptive measures of vote-buying and intimidation of the opposition did not produce a favorable result, state authorities resorted to outright falsification, providing the pretext for the Orange Revolution—a popular protest movement that forced a recount of the second round of the presidential election that the opposition alleged were rigged in favor of Yanukovych. Neither Yuschenko nor Yanukovych obtained 50% of the vote in the first round in October, leading to a run-off between the two leading candidates on November 21. Although the Central Election Commission declared Yanukovych the winner, international observers and parallel vote counts by civil society organizations suggested widespread electoral fraud. The ensuing popular protests, organized by leading civil society groups, and financed largely by businessmen associated with Yushchenko and Tymoshenko, gave the opposition the popular legitimacy to challenge the CEC, and in December 2004, the Supreme Court of Ukraine ordered a re-run of the second round, which Yushchenko won decisively.[105]

The Orange Revolution and the Institutionalization of Competition

While Ukraine's most important opposition groups were able to secure Yushchenko's victory in the 2004 presidential election, the process resulted in the institutionalization of distinct patronage networks that were not united by an underlying programmatic or ideological party structure. In particular, Yushchenko's early party-

[105] For more detailed accounts of the Orange Revolution, see Kuzio (2005), Kudelia (2007). For analysis of several different aspects of the Orange Revolution, see edited volumes by Aslund and McFaul (2006) and DAnieri and Kuzio (2007).

building strategy impeded his ability to credibly commit to public sector reform through two institutional mechanisms at this stage. First, the dual-executive constitution provided two formal focal points for the coordination of elites attempting to balance one another. Second, Ukraine's dual executive arrangement created low cabinet stability and short electoral timelines. These two institutional features worked in concert to ensure that none of the elites that inhabited executive offices could credibly commit to abandoning clientelistic practices, especially the use of state offices as patronage.

The Dual-Executive Compromise

First, the adoption of a dual-executive constitution provided competing elites with formal appointment powers that continued to be a source of patronage. Lacking any externally mobilized constituency to act as a latent group, opposition elites continued to pursue short term individual interests. Initially, coordination around the personality of Yushchenko was instrumental—the immediate goal of the opposition was able to sideline Yanukovych and the Donetsk clan. However, with the defeat of Yanukovych imminent, the constituent parties of the opposition, including factions within Yushchenko's Our Ukraine bloc, quickly turned their attention to the 2006 parliamentary election, bargaining over institutional arrangements that would advance their own narrow interests.

Indeed, as a condition of support of Yushchenko in the second round of the presidential election, Moroz and the SPU demanded Yushchenko's support of the long-debated constitutional reform that devolved several important powers, most importantly,

the power to appoint and dismiss the government (Kudelia 2007, 90), from the president to the prime minister.[106] As late as the second round of the election, Tymoshenko's camp disagreed with Yushchenko's camp over the terms of the agreement that could resolve the political deadlock during the Orange Revolution. Specifically, Our Ukraine demanded the resignation of the Yanukovych government in the *Rada*, along with the reconstitution of the CEC in return for the constitutional reform that would strip power from the office Yushchenko would be inhabiting. Tymoshenko's bloc, in contrast, argued for consideration of the political reforms independent of the government resignation.[107] In the end, by playing the competing opposition groups off of one another, the pro-Kuchma factions secured a favorable compromise that included the voluntary resignation of the government in advance of the second round, a reconstitution of the CEC, and the package of constitutional reforms that weakened the presidency.[108]

This agreement on formal institutions, while its implementation was delayed, contributed to the perception that competing clientelistic networks would be approximately equal in power moving forward. In Hale's (2011) terms, the adoption of a dual-executive constitution provided an information effect—while Yushchenko inhabited

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[106] "Ukrainian Socialist Leader Hopes for Compromise on Political Reform Bill," I*nterfax-Ukraine,* 12/07/2004. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35770894] 04/28/2015. The eventual agreement,

[107] "Tymoshenko and Poroshenko of the Yushchenko coalition have nearly quarrelled", *Ukrainskaya Pravda*, 12/07/2004. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35756654].

[108] "Ukrainian Experts Split Over Outcome of Opposition-Kuchma Compromise Deal," *Ukrainskaya Pravda*, 12/08/2004. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35761087] 04/28/2015.

a formally powerful presidency through the end of 2005, the agreement gave elites the expectation that the premiership would be a powerful focal point for coordination after January 2006. As such, the Orange Revolution and the agreement on constitutional reform did little to clarify which of the competing clientelistic networks was most powerful.

Indeed, Yushchenko's first term was characterized by a constant process of elite reconfiguration around inhabitants of the dual executive offices. During this process, clientelistic practices dominated as none of the relevant elites could afford to surrender positions under their authority that might be used to buy political support (Hale 2011). Four governments were formed during Yushchenko's first term as president, with three of those appointed before the end of 2007. Initially, within just a few months of appointing the first Tymoshenko government, Yushchenko sacked it, following mutual accusations of corruption between the Yushchenko and Tymoshenko camps. As Tymoshenko's replacement, Yushchenko appointed Our Ukraine loyalist Yuriy Yekhanurov to the post of prime minister. Following one parliamentary rejection of this nomination, the *Rada* approved Yekhanurov following a political agreement between Yushchenko and the Party of Regions, after which Yanukovych's party agreed to vote to approve Yushchenko's nomination in September 2005.[109] However, with *Rada* elections scheduled for the following March, and campaigning already under way, the Yekhanurov government was also transitional (Flikke 2008, 385).

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[109] Maksymiuk, Jan. "Ukraine: Has Yushchenko Betrayed The Orange Revolution?" *RadioFreeEurope/ RadioLiberty*, September 30, 2005, sec. Ukraine. http://www.rferl.org/content/article/1061785.html.

In the March 2006 elections, the Party of Regions re-emerged, winning the elections with approximately 33% of the vote, while Tymoshenko's bloc came in second with about 23%. Yuschenko's Our Ukraine bloc lost significant influence, coming in third place with about 13% of the vote, while both the SPU and KPU also cleared the 3% threshold to receive seats.[110] The strong showing of the Regions party allowed them to form a government with Yanukovych as prime minister, after forming a coalition with the KPU and SPU, and securing defections from the Our Ukraine bloc. With Yanukovych inhabiting a newly empowered premiership, Yushchenko and the presidency became of focal point for the coordination of elites with an interest in balancing the influence of the Donetsk clan (Hale 2011). The ensuing power struggle led Yushchenko to dissolve parliament and call new elections in September 2007, in which Tymoshenko returned to the premiership after the formation of a coalition between her electoral bloc and Our Ukraine.[111] Despite the new coalition between the former Orange Revolution partners, power struggles between the dual-executives continued throughout Yushchenko's presidential term, which ended when Yanukovych was elected president in 2010.[112]

Cabinet Stability and Elections

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[110] The 2006 *Rada* elections were conducted under a fully proportional electoral system, one of the conditions of the political reform package agreed to during the Orange Revolution.

[111] The Party of Regions actually received the most votes, winning about 34% of the vote.

[112] For more details on these dynamics, including the clientelistic practices used to secure coalition agreements, see Hale 2011, 598-605.

Second, high cabinet instability and short electoral timelines impeded Yushchenko's ability to credibly commit to reform. To some degree, The Orange coalition's electoral timeline was an accident—the 2006 parliamentary elections were regularly scheduled. Therefore,Yushchenko and Tymoshenko and their teams had to be concerned with re-election almost immediately. (Kuzio 2005a), for example, argued in 2005 that Tymoshenko's government was necessarily transitional, working with a *Rada* elected in 2002 with significant numbers of pro-Kuchma deputies, and projected that a Yushchenko era would begin only after new *Rada* elections in 2006. Indeed, rather than focusing on governance, the *Rada* factions were forced to begin campaigning just a few months after the Tymoshenko government was appointed.

However, the formal relationship between the executive offices contributed to high cabinet turnover. Although the Orange Revolution compromise included constitutional amendments delegating some presidential powers to the prime minister and parliament—most notably, the power to appoint and dismiss the government (Kudelia 2007, 90). However, these amendments did not take effect until 2006, leaving Yushchenko with the power under the 1996 constitution to dismiss the prime minister and government. Yushchenko used this formal power to dismiss the first Tymoshenko government in late 2005, and appoint a more cooperative government headed by Yekhanurov (Hale 2011). Following the election, the Party of Regions could claim independent authority to form a coalition with Yanukovych as prime minister, although clientelistic practices certainly facilitated coalition formation. Again, following

Yanukovych's power grabs, Yushchenko dissolved the *Rada* in April 2007, leading to new elections later that fall. Under these conditions, the appointment of meritocratic managers that would eliminate patronage in the state administration would have been difficult for all parties, given the importance of the use of higher level state positions to form favorable coalitions in the *Rada*. While the second Tymoshenko government presented another opportunity for reform beginning in December 2007, this period was also characterized by infighting between the former Orange coalition partners, with both Yushchenko and Tymoshenko using the informal clientelistic practices derived from the formal power of their positions.[113] As a result, power between the two executive positions was zero-sum (Flikke 2008), leaving each without any ability to credibly commit to abandoning the state resources at their disposal.

Emerging Reform Constituencies in the Process of Transition

These institutional features effectively precluded members of the Orange Coalition, including Yushchenko as the main reform candidate, from incorporating emerging reform constituencies into the governing coalition. In the terms of the theoretical framework, the Orange Revolution compromise increased the costs to Yushchenko of incorporating reform constituencies into his political party. Indeed, the process of opposition to Kuchma demonstrated the emergence of a constituency focused

[113] Again, see Hale (2011, 602-603) for details.

on improving governance in Ukraine, specifically with respect to anticorruption. Furthermore, Yushchenko and Tymoshenko relied heavily on these constituencies to prevail in the Orange Revolution. Notably, while civil society groups, motivated largely by the issue of corruption in Kuchma's administration, played a central role in bringing Yushchenko to power after the falsified election, these constituencies were not formally incorporated into the opposition political parties. Certainly this disconnect between civil society groups and political parties was due largely to popular distrust of the entire political establishment, including Yushchenko. However, at the stage of party building, Yushchenko did not undertake efforts to incorporate these constituencies, relying instead on a strategy of aggregating political and economic elites under an electoral bloc. Having relied on these elites during 2002 parliamentary election, the 2004 presidential election, and for financing and organization of the Orange Revolution protests, the costs to Yushchenko of incorporating new constituencies increased at this stage—he could not afford to delegate power to external constituencies as elites within his electoral bloc competed for influence.

Indeed, efforts to include newly mobilized constituencies took place mainly outside of formal party structures. Our Ukraine deputy Yuriy Yekhanurov,[114] for example, founded a political association called "For Ukraine, For Yushchenko" designed to mobilize voters of all political persuasions, but who did not want to join any political

[114] Yekhanurov would later serve as prime minister during Yushchenko's first presidential term.

party.[115] Tellingly, Yekhanurov emphasizes that Our Ukraine was essentially a parliamentary bloc, incapable or unwilling to pursue common goals outside of a vague notion of "democratic change."[116] His comments on the distinctions between political parties and his political association are worth quoting in full:

> "**…**at the beginning we did have misunderstandings with leaders of some parties, both in the Our Ukraine bloc and among our political opponents. But it is obvious that we may not have the right to reject those who are "for Ukraine and for Yushchenko", so we welcome everybody.
>
> In addition, we do not compete with parties at all, because a party is society's narrow segment, united around a certain political platform. Yushchenko is a national leader of such magnitude that he cannot position himself within the boundaries of a single party. He set himself the task of uniting Ukraine's democratic forces, all those who want democratic change in Ukraine. Thus, the public association's action program in support of Yushchenko should be as tolerant as possible to the majority of the population. I would like to stress that the association's organizational committees are made up of different people with different views (frequently, even [different] political views). Yet we are all united by the desire for democratic change in Ukraine."[117]

Yekahnurov's comments are notable in the context of the theoretical effects on political parties on public goods provision. The inclusiveness of the association and the lack of any specific criteria for joining prevent the emergence of a latent group that can monitor elites' pursuit of collective goals in a meaningful way. Yekhanurov sees, or wishes to portray, parties as instruments for the pursuit of individual economic interests. To be fair, this characterization was an accurate description of the relationship between parties and voters in Ukraine to that point. Abstractly, however, it is precisely the relative narrowness of a party program or ideology that distinguishes parties in a way that provides a meaningful choice for voters. The failure to exclude constituencies based on

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[115] Yuriy Yekhanurov, interview with Lesya Shovkun, *Ukrayina Moloda,* 11/14/2003, World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=35415314].

[116] Ibid.

[117] Ibid.

specific criteria merely reproduces the problem of collective action inherent to public goods provision in the first place. In this sense, associations of this type produce Lucan Way's "pluralism by default" on a smaller scale. In short, according to this conception, Yekhanurov's association failed to aggregate interests in a meaningful way, serving only as another mechanism of electoral mobilization in support of Yushchenko.

Stage 3 Conclusion

During the stage of institutional consolidation following the Orange Revolution, the early decisions by Ukraine's reformers to rely on political patrons rather than invest in programmatic party building began to exert independent effects on Ukraine's reform process. Specifically, the adoption of a divided-executive constitution, combined with short electoral timelines, institutionalized a state of short-term electoral competition between reformers. The need to contest parliamentary elections within 18 months following the Orange Revolution led Yushchenko and Tymoshenko to use the formal spheres of authority, specifically their powers of appointment and dismissal, associated with their positions to continue to reward loyal supporters, and precluded the broadening of their narrow coalitions. More importantly perhaps, this state of competition made each reticent to undertake comprehensive reform, which would deprive them of key support in the short term, with no guarantee of a long term payoff.

In this sense, the institutions adopted as part of the compromise that resolved the Orange Revolution reflected the divisions within an opposition that was not organized into a programmatic or ideological party structure. The lack of coordination both within Our Ukraine, and between Our Ukraine and its coalition partners, led elites to adopt an institutional framework that provided distinct institutional sources of protection for narrow individual interests. Without a latent group to monitor elites' pursuit of a common goal, Yushchenko was forced to use the formal powers available to him as president first to reward his loyal supporters, and second to reward his Orange Revolution partners. In terms of the theoretical framework, this institutionalization of competing networks raised the costs to Yushchenko of incorporating a reform constituency. For elite networks with unique institutional sources of patronage, competition on short electoral timelines made Ukraine's maintenance of the status quo more difficult to reverse.

Stage 4: Governing

The final stage of the reform process in Ukraine, the early efforts to avoid programmatic or ideological party building by Ukraine's reformers, contingent upon their adoption of a divided-executive constitution during Orange Revolution, exerted independent effects on reform by shaping the policy priorities of the new president and government.

Appointment Strategy

This agreement on the constitutional relationship of the presidency and premiership institutionalized the distinctions between the Orange coalition networks of Yushchenko and Tymoshenko. Specifically, the power of appointment and dismissal provided an important institutional source of patronage for elites in competition with president Yushchenko. Lacking any underlying organizational structure to coordinate the constituent parties of the Orange Coalition, the dual executive positions and their associated portfolios became important electoral resources for their inhabitants. Facing impending elections in 2006, neither Yushchenko, Moroz, or Tymoshenko could credibly commit to depoliticizing the agencies or portfolios under their control. Although the formal constitutional changes would not take place until January 2006, its adoption as part of the compromise to end the Orange Revolution created the expectation that Yushchenko would not be the dominant executive after 2005 (Hale 2011).

The patronage opportunities created by this expectation were compounded by the informal coalition agreements that preceded the 2004 presidential election. Specifically, cabinet positions during Tymoshenko's transitional government were divided among the major contributors to the Orange Revolution. With the campaign for parliamentary elections beginning within months of Yushchenko's appointment of a new government, none of the key coalition figures could afford to alienate key supporters by making appointments outside of their networks.

The formation of the government and the staffing of government bodies was allegedly conducted according to a confidential coalition agreement reached by Yushchenko and Tymoshenko prior to the presidential election.[118] The agreement specified 55% of the staff of state bodies was allocated to the Our Ukraine bloc, and 23% to the Tymoshenko bloc, with the remaining 22% allotted for the coalition members to buy support for a parliamentary majority, and specified a personnel selection process for filling these quotas.[119] Prior to the formation of the government, Yushchenko staffed key positions under his authority with key supporters associate with Our Ukraine. Yushchenko appointed oligarch and head of the Solidarity party Petro Poroshenko to the post of the politically important National Security and Defense Council. He also re-reconstituted the presidential administration as the presidential secretariat, appointing his campaign manager Oleh Zinchenko as its head. Oleksandr Turchynov, a senior official in Tymoshenko's bloc, was appointed head of Ukraine's Security Service.

Following the formation of the government, the *Razom* group of Yushchenko's camp was apparently the best represented, with Rybachuk appointed deputy prime minister for European Integration and Bezsmertnyy as deputy prime minister for

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[118] The supposedly confidential agreement was revealed in *Ukrainskaya Pravda* by Oleksandr Morozov, a member of the Our Ukraine bloc and *Razom* group.

[119] Morozov, Oleksandr, "Four Questions for Yushchenko. Five Questions for Tymoshenko," *Ukrainskaya Pravda*, 01/26/2005. Accessed via World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=33306450] accessed 05/04/2015.

administrative reform.[120] The *Razom* group also received seven total ministerial appointments, including Yevhen Chernovenko to the post of transport and communications minister, Volodymyr Shandra as industrial policy minister, Zhvania as emergency situations minister, and Yuriy Pavlenko as family and youth minister.[121] The new defense minister, Anatoliy Hrytsenko was also apparently close to *Razom*, as were several of Yushchenko's regional appointments.[122] The Reforms and Order party from the Our Ukraine bloc was also well represented, receiving the economics, finance, and health ministerial portfolios, along with several deputy-level and regional appointments.[123] Poroshenko's Solidarity Party, also a member of the Our Ukraine bloc, received the Ministry of Culture and several regional governorships. The People's Movement of Ukraine received two ministerial appointments, including Borys Tarasyuk as Foreign Minister, and Roman Zvarych as Justice Minister. Finally, the Ukraine People's Party (formerly Kostenko's *Rukh*) was the least rewarded among Our Ukraine's constituents, receiving only the Labor and Social Policy Portfolio, along with a handful of governorships.[124]

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[120] Amchuk, Leonid, "The Yushchenko Government: Who Lobbied Whom for What," *Ukrainskaya Pravda,* 02/08/2005, via World News Connection [http://wnc.eastview.com/wnc/article?id=31971252] accessed 04/10/2015.

[121] Ibid.

[122] Ibid.

[123] Ibid.

[124] Returning to the dispute between the constituent parties of Our Ukraine over the direction of a unified party, Yushchenko's appointments clearly indicate the ascendence of the Reforms and Order conceptualization of the party with a centrist, pro-business orientation.

From the larger coalition, the SPU received the Interior, Education, and Agricultural portfolios. Tymoshenko's bloc, meanwhile, received fewer, but more powerful positions.[125] The *Batkivshschina* (Fatherland) party of Tymoshenko's electoral bloc received the appointments of Tymoshenko herself to the post of Prime Minister, and Turchynov as the head of the Security Service. Notably, this transitional cabinet did not include appointments outside of the personal networks of the main constituent political groups of the Orange Coalition—Our Ukraine, Tymoshenko's bloc, and the SPU.[126] Indeed, to the extent that Yushchenko appointed officials outside of his Our Ukraine network, the appointments were in accordance with the pre-election agreement signed with Tymoshenko. In this sense, appointments to the first post-Orange Revolution government were dictated by political insecurity that characterized the pre-2004 presidential election environment. As such Yushchenko was was unable to credibly commit to appointments of officials who would institute meritocratic personnel management rather than continue a process of patronage designed to reward political supporters.

Naturally, the prospects for meritocratic appointments outside of political networks did not improve with the series of government turnovers beginning in late 2005. The Yekhanurov government, for example, maintained much of the Tymoshenko government, replacing only seven ministers (Flikke 2008, 385). Following the 2006

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[125] Ibid.

[126] Ibid.

parliamentary elections, the coalition agreement that formed the government delegated ministerial portfolios predominantly to the Party of Regions and the Socialist Party.[127] Yanukovych appointed several of his closest personal associates, including Mykola Azarov as finance minister, and Andriy Kluyev, reputed to be behind the falsification of the 2004 presidential election, to a post of deputy prime minister without portfolio.[128] The Party of Regions was awarded seven additional ministerial portfolios. While Our Ukraine maintained four ministerial portfolios in accordance with the president's prerogatives under the new constitution,[129] those ministers left the cabinet when Our Ukraine moved into open opposition in October.[130] Finally, upon Yushchenko's dismissal of the Yanukovych government, coalition negotiations with between Tymoshenko's bloc and the Our Ukraine-People's Self Defense bloc were similarly rocky, with both camps bargaining over both the quantity and quality of posts based on their respective electoral shares.[131] The cabinet positions were initially allocated in a 50-50 arrangement according to their coalition agreement. However, Tymoshenko reshuffled the cabinet in 2008 following Yushchenko's repeated attempts to empower the presidency at the expense of the premiership.

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[127] Maksymiuk, Jan, "Analysis: The Faces of Ukraine's New Cabinet," *Radio Free Europe/Radio Liberty,* 08/08/2006.

[128] Ibid.

[129] Ibid.

[130] Maksymiuk, Jan. "Ukraine: Two Viktors, But No Clear Winner." *RadioFreeEurope/RadioLiberty*, October 6, 2006, sec. Belarus. http://www.rferl.org/content/article/1071859.html.

[131] Karasyov, Vadym, interview with *Holos Ukrayiny,* 10/05/2007, World News Connection [http://wnc.eastview.com.proxygw.wrlc.org/wnc/article?id=32136250].

The Policy Agenda

The post-Orange Revolution political environment was characterized by competing executives under short electoral timelines, making their appointment powers a central tool in this power struggle. As such, none of the elite, including Yushchenko as the most likely reformer, could credibly commit to depoliticizing their appointments. Furthermore, this short term inter-elite competition precluded elites' credible commitment to abandoning short-term clientelistic policies in favor of longer term provision of public goods, including public sector reform.

Indeed, while the Orange Revolution congealed in large part around the issue of anti-corruption, Yushchenko's campaign combined elements of anti-corruption with the generic economic populism common to most competitive political parties in Ukraine. However, since Our Ukraine served primarily to aggregate pre-existing economic interests rather than incorporate a wider constituency, upon coming to power, Yushchenko and Tymoshenko's policy initiatives tended to focus on providing narrow club goods rather than the risky long-term public goods of comprehensive anti-corruption reform.

Yushchenko's presidential election campaign was a standard center-right platform, emphasizing democracy, liberal market reforms, and anti-corruption, but continuing to promise standard populist measures like pension and wage hikes, and other club goods to

narrow constituencies.[132] In this sense, Yushchenko's platform avoided any real distinguishing ideology. Indeed, Kuzio argues that the 2004 presidential campaign was not about particular issues as much as it was a referendum on Kuchma (Kuzio 2005b, 185). Yushchenko's platform resembled that of Yanukovych in many respects, albeit largely due to the fact that Yanukovych's platform adopted a "kitchen sink" approach, merely listing policies without any unifying theme (Åslund 2005, 331).

However, Yushchenko's governing program upon assuming power bore little resemblance to the platform upon which he was elected, and appeared to do especially little to address anti-corruption reform. Instead, the Tymoshenko government and Yushchenko quickly fell into infighting over policies that affected the immediate economic interests of their clients. Indeed, the government declined to publish the contents of its Action Program agenda, leading Aslund to conclude it was never used to guide policy (Åslund 2005, 338-339). The government and the president likewise ignored the policy advice of a Blue Ribbon Commission and several other international bodies.[133] Indeed, comprehensive anti-corruption reforms took a backseat in Yushchenko's first hundred days to more populist issues like re-privatization, energy policy, including price caps and subsidies, and social expenditures (Åslund 2005, 341-342).

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[132] Karatnycky 2005, 6; for a comprehensive overview, see Aslund 2005, 331.

[133] The Commission was co-chaired by Aslund (Aslund, 2005, 338-339).

Certainly, the issue of anti-corruption was not ignored entirely. Yushchenko in particular used his formal powers of appointment and dismissal to attempt to re-engineer the state apparatus. Several agencies were reorganized or abolished. However, while there was some significant turnover under Yushchenko's presidency,[134] most notably the replacement of 18,000 public servants (Åslund 2005, 339), this turnover consisted primarily of replacement, not the potentially costly wholesale elimination of public sector jobs. Again, however, what anti-corruption initiatives were introduced, most were adopted in a populist vein by attacking the core interests of the oligarchs, especially those from the Donetsk Clan that supported Yankovich and the Party of Regions (Kuzio 2005a, 359-360). In this sense, anti-corruption reform could be seen not as public goods provision, but as the continued use of state resources in a zero-sum game designed to advance the interests of supporters of Yushchenko and Tymoshenko, at the expense of oligarchs like Akhmetov.

Chapter 3 Conclusion

To conclude, the failure of public sector reform efforts following the Orange Revolution in Ukraine was the result of a contingent process in which reformers' early party-building decisions locked Ukraine on to a path that preserved the status quo, and became increasingly difficult to reverse. Specifically, emerging reformer Viktor

[134] Yushchenko replaced several regional governors, many of which had to be replaced again the media highlighted previous crimes (Aslund 2005, 340).

Yushchenko, upon moving into opposition, chose to create a political party that served as an umbrella for a loose coalition of economic and political elites, rather than undertake the high startup costs of forming an ideological or programmatic political party. Given the incentives in Ukraine's clientelistic system, in which corruption served as a tool to reward supporters and punish defectors, the reliance on a relatively narrow group of elite supporters failed to coordinate Ukraine's diverse opposition, and impeded Yushchenko's ability to credibly commit to reform. The lack of coordination among the opposition resulted in the adoption of a divided-executive constitution during the Orange Revolution. This constitution endowed competing politicians with independent institutional resources with which to reward supporters. As a result, faced with relatively short electoral timelines, reformers prioritized policies that benefitted these supporters in the short term, at the expense of the long term public good of comprehensive public sector reform. Therefore, the inability to build a broader based ideological or programmatic party at the stage of reformer emergence locked the Orange coalition into the same "politician's dilemma" that characterized the administration of the president they replaced.

Chapter 4: Georgia 2001-2008

Introduction

From 2004 to 2010, Georgia was one of the most successful countries in the world in reducing corruption in the public sector.[135] Prior to the 2003 Rose Revolution that deposed incumbent president Eduard Shevardnadze, Georgia shared several structural and institutional characteristics with Ukraine under Kuchma. Specifically, as a patronal president, Shevardnadze presided over competing economic clans who provided political support in exchange for preferential access to state resources. Within this context, state positions, and the associated opportunities for corruption, operated as a central tool through which Shevardnadze maintained power and adjudicated between these oligarchs. As a result, pervasive corruption in the public sector made Shevardnadze increasingly unpopular, and led to the emergence of a set of charismatic reformers, most notably former justice minister Mikheil Saakashvili.

In another similarity to Ukraine, the emerging opposition in Georgia came to power on the wave of a popular protest movement that followed a falsified election, in this case the 2003 parliamentary elections. However, in clear contrast to the internecine political rivalry that characterized the Orange coalition governments, the Rose coalition was able to enact dramatic reforms focused largely on reducing the size of the public

[135] Transparency International Global Corruption Barometer, 2011, quoted in The World Bank. Fighting Corruption in Public Services Chronicling Georgia's Reforms. Washington DC: World Bank, 2012.

sector and enforcing anticorruption regulations. I argue that Georgia's relative success in public sector reform was due to the ability of Saakashvili and his United National Movement (UNM) party[136] to credibly commit to reforms. In turn, this credible commitment was due to an increasing returns process that began with Saakashvili's initial decision to incorporate external constituencies into his emerging party, rather than draw on the support of existing political and economic elites with access to state resources. Certainly the UNM never abandoned clientelistic practices, especially upon gaining access to the state administration after the Rose Revolution. However, the incorporation of external constituencies provided the party with a latent group with both an interest and capacity in monitoring the party's pursuit of collective goals—specifically, gaining public support through eliminating corruption in the public sector.

In this chapter, I trace the development of Georgia's reform process, beginning with the political crisis that initiated Saakashvili's movement into opposition in August 2001. Moving through the four stages identified in the theoretical framework—the status quo equilibrium, reformer emergence, transition and institutionalization, and governing—I show how Saakashvili's decisions to build a relatively programatic and ideological political party based on external constituencies produced increasing returns. In doing so, I emphasize three major ways in which Georgia's reform process differs from Ukraine's. First, the emerging reformers' party building strategies differed clearly. Second, with a relatively cohesive political party, the National Movement better solved the coordination

[136] Saakashvili's party is generally referred to as the National Movement (NM) prior to late 2004, when it merged with another reform party, the United Democrats, adopting the title United National Movement.

problem facing reform elites, both within the party, and between the NM and other parties in the Rose coalition. This coordination of the reform coalition allowed Saakashvili and his allies to impose an institutional framework that significantly empowered the presidency at the expense of parliament. This institutional framework effectively insulated Saakashvili from electoral pressures. Third, this insulation from electoral pressures allowed the UNM to credibly commit to making appointments to high-level positions on a meritocratic basis, rather than using these positions as political patronage. In clear contrast to Ukraine, several politically important appointments were offered to managers from outside the traditional Georgian political establishment. As a result, these managers were relatively free to enforce anticorruption regulations, and to implement some human resource reforms at lower levels of the state administration.

Prelude: Assessing Public Sector Reform in Georgia

Before tracing the process of reform in Georgia, this section assesses the state administration under Shevardnadze, and the reforms implemented by Saakashvili's administration. As was the case in Ukraine, corruption pervaded Georgia's state administration at all levels under president Shevardnadze. Public sector positions were highly politicized, with recruitment and promotion based on political and personal loyalties rather than merit. Despite some formal efforts at anticorruption legislation or regulation, these rules were not enforced. Furthermore, preferential treatment in public

procurement was one mechanism through which Shevardnadze mediated between oligarchic clans.

Upon taking office following the Rose Revolution, Saakashvili and his supporters in the parliament immediately embarked on a set of reforms to reduce the use of public positions of private gain. These reforms were centered on three central pillars—the large scale elimination of public sector positions and replacement of state cadres, improving the compensation of state employees, and draconian enforcement of anticorruption regulation and legislation. To a lesser degree, the reforms empowered apolitical managers to introduce meritocratic human resource practices.

However, while Saakashvili's anticorruption reforms have been the subject of several glowing reports from international organizations and development agencies,[137] a more holistic assessment suggests that the de-privatization of the state administration has been incomplete. In particular, analyses by local nongovernmental organizations have continually argued that politicians continue to use public sector positions for political gain. Furthermore, while Saakashvili's administration implemented efforts to make the public procurement process more transparent, local and international organizations have identified room for improvement. These caveats aside, the reform process in Georgia was clearly more successful than in Ukraine, as both petty corruption was effectively eliminated, and grand corruption apparently reduced.

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[137] For a prominent example, see The World Bank. Fighting Corruption in Public Services Chronicling Georgia's Reforms. Washington DC: World Bank, 2012.

Human Resources Reform

As Chapter 1 argued, reform of the criteria for hiring, promoting, and firing public sector employees is important for reform because it eliminates patronage opportunities for politicians. For public sector positions to be stripped of private political and economic benefit, state positions must be filled according to clear, objective criteria based on experience and qualifications, not personal or political loyalties. The standardization of incentives, including salary, bonuses, and benefits also deprive politicians of the ability to use public sector jobs to reward supporters or punish defectors. Furthermore, these incentives must compare favorably to similar jobs in the private sector so that public sector employees do not depend on rent-seeking for income, in turn making them more susceptible to coercion by their political masters. Finally, these reforms in a process of transition would necessarily include the dismissal or re-qualification of corrupt state officials or patronage hires.

Under Shevardnadze's administration, practically none of these conditions held. Appointments to the state administration were independent of qualifications, and achieved largely through personal connections. With no standards for appointment, dismissal was similarly arbitrary, subjecting employees to political coercion. Salaries and benefits were too low to provide a living standard, forcing employees with opportunities for public interaction to extract bribes. Incentives like bonuses were awarded at the discretion of managers in the state administration, facilitating the use of employees'

positions to advance personal or political goals. Finally, with virtually no objective standards for staffing the state administration, public sector positions proliferated as managers sought influence by increasing the number of personnel loyal to them, and as employees sought out opportunities to supplement their income.

Following the Rose Revolution, Saakashvili's administration implemented reforms in two of these respects that were instrumental in reducing public sector corruption. First, the administration made drastic reductions in the number of public sector positions. Second, by reducing the number of state positions, the administration was able to significantly raise salaries for remaining positions, both eliminating some of the need to engage in bribe-taking, and attracting more qualified personnel that might otherwise pursue employment in the private sector or abroad. To a lesser degree, managers appointed on the basis of qualifications attempted to introduce meritocratic human resource practices to standardize criteria for recruitment, promotion, and dismissal. However, the available evidence suggests that the success of these reforms has been limited.

Hiring, Promotion, and Firing

Much like Ukraine's state administration under Kuchma, Georgia's state administration under Shevardnadze was politicized, lacking both a clear differentiation of political and civil service positions, and clear standards based on merit for recruitment,

dismissal, and promotion. As Zurab Nogaideli, associated with the reform wing of the CUG, and later prime minister during Saakashvili's presidency, described the distinction of political appointments in the civil service, "There was no system in existence before [the Rose Revolution]."[138] Government agencies did not keep records, agency staffs were bloated, and many agencies were overlapping or redundant. Public sector employment was not obtained through experience or qualifications, but by simply requesting a job from a bureaucrat or politician with whom one had some minimal personal connection[139], or for more lucrative positions in the police, customs, or judiciary, or middle or upper levels of the state administration, through buying the position with an investment of up to US$ 50,000 (Wheatley 2005, 105).

Generally speaking, the Saakashvili administration did not achieve the standardization of objective criteria for hiring, promotion, and dismissal based on merit.[140] Certainly, several ministers attempted meritocratic HR practices in their respective agencies.[141] The interior ministry, for example, introduced merit-based

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[138] Zurab Nogaideli, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Tbilisi, Georgia, 04/28/2009.

[139] Author interview with Nino Dolidze, Head of Public Policy Program, School of Government, Georgian Institute of Public Affairs, Tbilisi, Georgia, 11/18/2013.

[140] For an excellent case study of public management with an emphasis on human resource management in Georgia's bureaucracy, see Charkviani 2012.

[141] A Former Chief of Party for an institutional development project administered by USAID identified several state agencies, including state utility and energy companies, and the Ministry of Labor, Health, and Social Affairs, that relied on the program for management and organizational consulting, and were particularly committed to reform. Without identifying specific agencies, he also mentioned several referrals clearly had no interest in introducing reforms. Author interview with Patrick Lohmeyer, Chief of Party, Human and Institutional Capacity Development Plus, USAID, Tbilisi, Georgia, 11/20/2013. The information Mr. Lohmeyer provided in our interview represents his personal views, and does not represent the opinion or policy of USAID or the United States government.

recruiting practices, including examinations, for new police; attempted to codify promotion criteria;[142] and invested in training and career development programs for new employees,[143] but these reforms were uneven both between agencies, and at different levels within agencies.[144] In fact, several agencies, following dismissals of old staff introduced intensive, but ad hoc meritocratic hiring procedures, often including board interviews of all applicants screen for qualifications and past corruption.[145] However, these processes were not sustainable in the long term, and never institutionalized. Mary Gabashvili,[146] for example, noted the difficulty of implementing meritocratic human resource standards at the regional level, noting both a cultural propensity to hire personal connections, and a lack of qualified personnel.[147] Several other officials and public administration experts have related similar sentiments.[148] A less charitable interpretation

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[142] Ekaterine Tkeshelashvili, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 04/29/2009, Tbilisi, Georgia. pp. 5.

[143] Ibid, pp. 2.

[144] Author interview with Irakli Kotetishvili, Director, Civil Service Bureau of Georgia (fmr.), Skype, 10/14/2013. Rinnert (2015) analyzes variation in reform outcomes between ministries in Georgia, finding that presidential leverage, ministerial leadership, and foreign aid programs are crucial determinants the success of reforms.

[145] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009; Author interview with Mary Gabashvili, Deputy Manager, NATO-Georgia Professional Development Program, Tbilisi, Georgia, 11/29/2013.

[146] In reference to her experience as head of the human resource management department at the Ministry of Science and Education under Minister Alexandre (Kakha) Lomaia.

[147] Author interview with Mary Gabashvili, Tbilisi, Georgia, 11/29/2013. After hearing of my research topic, Ms. Gabashvili actually contacted me to initiate an interview, hoping I could help with ideas on how to institutionalize meritocratic human resource standards across the state administration. I could not.

[148] Jaba Ebanoidze, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 05/04/2009, Tbilisi, Georgia.

of Saakashvili and the UNM governments holds that the continuing politicization of the state administration was quite intentional. Indeed, the UNM operated as much as a patronage machine as a vehicle for reform (Timm 2010). According to interview respondents at Transparency International Georgia, the state administration was badly politicized under Saakashvili, with many civil servants thinking of themselves primarily as UNM members, and not as public servants.[149]

Despite improvements in human resource standards in some ministries and agencies, the depoliticization of the state administration has been incomplete. In particular, there is still no clear line between civil service and political positions in the state administration.[150] Indeed, local NGOs have documented cases of public employees dismissed for political opposition, as was the case when several teachers reported pressure from UNM education minister Dimitri Shashkin to vote for Saakashvili during the 2012 parliamentary campaign.[151] Local NGOs have also criticized the UNM for the use of administrative resources, including threatening the employment of public sector employees.[152] More recently, Transparency International Georgia criticized the new

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[149] Author interview with Andria Nadiradze and Gigi Chikhladze, Transparency International Georgia, Tbilisi, Georgia, 10/15/2013.

[150] Author interview with Irakli Kotetishvili, 10/14/2013

[151] Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013. Dolidze quotes a figure of several hundred claims, catalogued by GIPA students as part of a research project, although I did not obtain the project report or see this figure corroborated elsewhere. However, TI Georgia, as part of a report on the pre-2012 election environment, surveys several individual cases of allegedly politically motivated dismissals of teachers and other public sector employees ("An Analysis of the Pre-Election Environment: 1 October 2011-1 August 2012," Transparency International Georgia, 2012 [http://transparency.ge/en/post/report/new-ti-georgia-report-pre-election-environment] accessed 05/25/2015.

[152] Author interview with Andria Nadiradze and Gigi Chikhladze, Tbilisi, Georgia, 10/15/2013

Georgian Dream coalition (GD) government for the large scale replacement of personnel at all levels of the state administration, from local councils and administrations to the central ministries.[153] While this replacement did not appear to be explicitly geared toward electoral goals, the GD did use positions in the state administration to punish UNM loyalists and reward their own supporters.[154] The significant turnover following the change of government suggests that a notion of an apolitical civil service has not been realized, either formally or informally.[155]

Staff Replacement or Reduction

On the other hand, staff replacement and the wholesale elimination of public sector positions was a central plank of Saakashvili's reform program. Under Shevardnadze, public sector positions proliferated as the lack of recruitment standards allowed managers the discretion to hire subordinates based on personal or political connections. After coming to power in the Rose Revolution, the Saakashvili

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[153] Chikhladze, Gigi, Irine Urushadze, Kakha Uriadmkopeli, and Gvantsa Daviatishvili, "Staffing Changes in the Civil Service After the 2012 Parliamentary Elections: 20 October 2012-1 March 2013," Transparency International Georgia, Tbilisi, Georgia, 2013.

[154] Author interview with Nadiradze, 10/15/2013. In the same interview, Chikhladze (one of the authors of the TI Georgia Report) is careful to note that some of this turnover could have been non-political. He emphasized, however, the total turnover following the 2012 election was 10% of the civil service, a number he considers too high to be non-political. Of course, there is some disagreement over whether this turnover is actually problematic. Tamta Tsotskhalashvili of the Civil Service Bureau opined that the turnover was typical of democratic societies after a change in power (Author interview with Tamta Tsotskhalashvili, Head of Civil Service Reform and Development Department, Georgian Civil Service Bureau, Tbilisi, Georgia, 11/12/2013). In any case, the difficulty of identifying normal turnover from political turnover serves to highlight the lack of any clear rules distinguishing civil service positions from explicitly political positions.

[155] Chikhladze, et al., 2013.

administration not only dismissed personnel employed in agencies known to be pervasively corrupt or staffed with patronage hires, but eliminated huge proportions of public sector positions altogether, across several ministries and agencies. Kakha Bendukidze, Saakashvili's economy minister and later state minister for reforms coordination, used a colorful metaphor to describe a change in the culture of staffing state agencies among ministers:[156]

"One of our best accomplishments was changing the way that ministers competed. Previously the ministries competed by size, like young men comparing the size of their dicks. But we reversed this trend and officials began competing according to [which ministry] could be smallest and most efficient."

The centerpiece of this revolution in cadres was the reform of Georgia's notoriously corrupt traffic police. Outright, the interior ministry dismissed the entire corps of the traffic police, approximately 16,000 officers, and reconstituted the division as the patrol police with 2,300 officers. Overall, the staff of the interior ministry was approximately halved. Certainly, not all employees of the traffic police, or the interior ministry more broadly, were replaced. Indeed, some police were known to have behaved

[156] Paraphrased.

honestly.[157] Some were retained, or re-qualified.[158] However, Nogaideli estimates that 90% of hires after the dismissal of the traffic police were "new people."[159]

Staff reductions were not limited to the interior ministry. The state chancellery was reduced to 120 employees from 600. The ministry of the environment cut its staff by about 44%, and the customs department by 23% (Jones 2012, 166). Common (2011) estimates the Saakashvili administration reduced the staff of ministries by 35%, with greater reductions in agencies not at the ministerial level.[160] An Oxford Analytica brief from 2013 estimates that the public sector positions in total dropped about 50%, from 120,000 employees to about 60,0000.[161]

These staff reductions helped reduce corruption in Georgia through three mechanisms. Most obviously, the purge of the state administration eliminated employees known to have engaged in corrupt behavior, and those that returned to public service were re-qualified. Second, the wholesale elimination of a significant percentage of public

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[157] Ekaterine Tkeshelashvili, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 04/29/2009, Tbilisi, Georgia.

[158] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009.

[159] Presumably meaning not previously employed as police officers. Zurab Nogaideli, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Tbilisi, Georgia, 04/28/2009.

[160] "GEORGIA: Ending Corruption Needs Institutional Reform." Oxford, United Kingdom: Oxford Analytica Ltd.

[161] Ibid.

sector employees provided room in the state budget to pay remaining employees a competitive wage. Finally, staff reductions mitigated petty corruption by reducing officials' interaction with the pubic, thus reducing opportunities to solicit bribes.[162] The introduction of electronic governance (e-governance) systems, and "one-stop shops" for licensing allowed citizens to obtain services without interacting with state officials.[163]

Salary and Benefits

These dramatic reductions in public sector staff were accompanied by significant increases in salary and benefits for new and remaining employees. Under Shevardnadze's administration, public sector employees did not earn a living wage.[164] The underpayment of state employees facilitated corruption in two respects. First, low wages and low prestige encouraged qualified candidates to take jobs in the private sector or abroad. Second, the low wages signaled to state employees that they were expected to extract bribes to supplement their income.

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[162] Zurab Nogaideli, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Tbilisi, Georgia, 04/28/2009.

[163] Author interview with Kotetishvili.. Jaba Ebanoidze, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 05/04/2009, Tbilisi, Georgia; Giorgi Vashadze, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 05/06/2009, Tbilisi, Georgia.

[164] Lily Begiashvili estimated the average wage for positions within the ministries was 29-35 Georgian Lari per month (Author interview with Lily Begiashvili, General Counsel for Free University of Tbilisi and Agricultural University of Georgia, Tbilisi, Georgia, 11/26/2013. Ms. Begiashvili previously served as Deputy Minister of Agriculture and Deputy Head of the Revenue Service during the Saakashvili administration). As a specific example, one interview respondent reported her salary as 37 Georgian lari (approximately US$ 30) per month in the foreign affairs ministry in 1997 (Author interview with Ekaterine Tkeshelashvili, Tbilisi, Georgia, 11/05/2013.

To reduce these effects of low wages on corruption, Saakashvili's reforms following the Rose Revolution dramatically increased wages and benefits for remaining public sector positions, especially those that offered the opportunity to extract bribes from citizens. Jones (2013) notes that salaries for state officials increased a minimum of seven times, with the salary of top judges and ministers increasing up to 20 times. Over the period of 2013 to 2010, public sector salaries increased approximately fifteen-fold on average.[165]

Despite efforts to increase public sector wages and benefits, however, Saakashvili's administration did not standardize incentives. Indeed, the use of bonuses under the discretion of managers in the state administration has continued to facilitate the use of public resources to advance individual political goals.[166] TI Georgia's National Integrity System report, for example, notes that while public officials' salary information is often publicly available, public agencies consistently turn down or fail to respond to requests for information on bonuses. Furthermore, the system for the awarding of bonuses is not transparent, and lacks clear rules regarding rates or award criteria.[167] This lack of transparent criteria for awarding bonuses has led to concern that both the UNM

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[165] Contrast these increases to the salary increases for public sector employees under Yushchenko in Ukraine, where salaries increased approximately five times between 1998 and 2007, a period that includes several years of Kuchma's administration.

[166] Author interview with Irakli Kotetishvili, 10/14/2013.

[167] "National Integrity System: Transparency International Country Study," Transparency International Georgia, Tbilisi, 2011.

and GD governments have maintained arbitrary bonuses as an informal tool through which to reward political support.

Anti-corruption Enforcement

The third central plank of the Saakashvili administration's public sector reform strategy was the draconian enforcement of anticorruption regulations. The administration's enforcement strategy operated at two levels. First, the interior ministry and prosecutor general's office pursued criminal cases against economic elites, organized crime figures, and officials associated with Shevardnadze's administration. Second, state agencies engaged in monitoring of employees, punishing those that engaged in corruption with significant criminal or administrative penalties.

First, the General Prosecutor's office, led by close Saakashvili associate Irakli Okruashvili,[168] initiated criminal cases against elites that profited from the use of state resources under Shevardnadze. These criminal proceedings often lacked a sense of due process, as prosecutors used a form of "plea bargaining" to allow key figures to pay some restitution to the state and go into exile in return for the state dropping charges.[169] Serious analysts have interpreted this "plea bargaining" strategy as simple shakedowns or

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[168] Okruashvili was Saakashvili's deputy in the Ministry of Justice under Shevardnadze, and left with him to form the NM. He served in several high level positions under Saakashvili, including Defense Minister, Interior Minister, and Minster of Economic Development. Ironically enough, Okruasvhili was forced into exile after a corruption conviction following a falling out with Saakashvili.

[169] Tkeshelashvili, Princeton ISS, 2009; Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013.

extortion of economic elites and former state officials. Dolidze, for example, alleges officials under the Saakashvili administration actively extorted business people for contributions to state coffers. In one example, government officials would extort money from ongoing construction projects by allowing developers to complete half of a project, and then requiring a donation to be allowed to complete the project.[170] Indeed, this process served a dual purpose in the context of anticorruption reforms. Most immediately it weakened the influence of economic and political elites that were able to capture state resources by driving those elites out of the country. For example, key CUG figure and former governor of the Kvemo-Kartlii region, Levan Mamaladze, fled to Russia following the Rose Revolution. Similarly, Aslan Abashidze, leader of the autonomous region of Adjara resigned and went into exile in Russia following a confrontation with Saakashvili and the new government in May 2004. Second, it provided much needed income for the state budget, which in turn was used to fund state-building and anticorruption reforms, including the large salary increases for remaining positions in the state administration.[171]

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[170] One important caveat is that UNM officials collected this money not for themselves individually, but to finance the government facing serious budget shortfalls. Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013.

[171] For example, reforms in the major law enforcement bodies, including the police and judiciary, were funded in part by a development fund endowed by donations from private individuals (Tkeshelashvili, Princeton ISS, 2009). In an interview with Batu Kutelia, Matthew Devlin notes that the fund was not particularly transparent in terms of investment and spending, insinuating that economic elites donated in order to curry some political favor, either positively, or to avoid prosecution. Kutelia did not address the insinuation directly, noting only that some businessmen were being extorted by organized crime groups, and therefore did not wish to have their names associated with the reform fund (Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009.)

On the demand side, enforcement efforts focused on breaking the influence of organized crime on the state administration. Organized crime groups, especially the *vory v zakone* (thieves-in-law), a criminal fraternity with roots in the Soviet prison system, and the holdovers of paramilitary groups from Georgia's civil war routinely corrupted the state administration in order to advance their interests in criminal enterprises in smuggling, trafficking, kidnapping, and extortion. Saakashvili's administration quickly cracked down on these organized crime groups by quickly passing legislation against racketeering that was consciously modeled on foreign legislation including Italian anti-mafia legislation and the US RICO act.[172] This suppression of organized crime was accomplished in part by the harsh systematic repression of the *vory* in Georgian prisons (Slade 2011, 627).

This strategy also had political consequences, however. Lacking any sense of due process, these prosecutions and plea bargains served the purpose of eliminating political competition, which further insulated Saakashvili and the UNM from electoral pressures. Even under a charitable interpretation of this elite prosecution strategy,[173] the lack of any significant checks on this power led to the later use of corruption as a justification to pursue criminal prosecution of political opposition that emerged from within Saakashvili's own coalition. For example, Zurab Nogaideli, former prime minister under

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[172] Tkeshelashvili, Princeton ISS, 2009; Slade (2014) discusses several other international influences on Georgia's anti-mafia legislation (pp. 76-82).

[173] That is, these cases were justifiable inasmuch as their targets really were engaged in large-scale corruption and capture of state resources.

Shevardnadze, alleges Saakashvili's administration reneged on plans to bring the new financial police under the authority of the state revenue service, keeping the financial police separate in order to use it, in cooperation with the interior ministry to harass political opponents.[174] Beginning in approximately 2007, the interior ministry began using its surveillance capacity, including cameras, phone tapping, and other equipment, to identify participants in opposition protests.[175] This sort of surveillance resulted in at least one high profile dismissal, when the head of the national examination service was fired allegedly because her son participated in a rally in support of the opposition Georgian Dream coalition. Indeed, while the public initially approved of the campaign to arrest and prosecute corrupt officials, public opinion eventually turned against Saakashvili as the scope of the prosecutions widened to include citizens' friends and relatives.[176] Finally, the UNM's consistent abuse of power came to a head in the fall of 2012, when the release of video recordings of prison torture contributed to the Georgian Dream victory in the October parliamentary elections.[177]

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[174] Zurab Nogaideli, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Tbilisi, Georgia, 04/28/2009.

[175] Georgian public administration expert Nino Dolidze singled out former interior minister Ivane (Vano) Merabishvili, a central UNM party figure, as being particularly effective at this sort of surveillance. Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013.

[176] Author interview with Irakli Kotetishvili, 10/14/2013.

[177] UNM Defense Minister Bacho Akhalaia, a long-time Saakashvili ally and former Liberty Institute member, along with several other high level officials, resigned over the scandal. Akhalaia led the penitentiary department under the Ministry of Justice, overseeing the prison crackdown on the *vory*, including the violent repression of a 2006 prison riot in which Akhalaia was alleged to have personally beaten prisoners (Peuch, Jean-Cristophe, "Georgia: Prison Riot Fuels Destabilization Theory," *Radio Free Europe/Radio Liberty*, 03/29/2006 [http://www.rferl.org/content/article/1067203.html] accessed 05/31/2015). In 2014 he was convicted on these charges and sentenced to seven years in prison, a conviction that the UNM maintains is politically motivated ("Bacho Akhalaia Sentenced to Seven Years in Jail," *Democracy and Freedom Watch*, 10/22/2014 [http://dfwatch.net/bacho-akhalaia-sentenced-to-seven-years-in-jail-21987-31718] accessed 05/31/2015.

Second, at the "street level" the ministries adopted a policy of pervasive monitoring of state officials and severe punishment of those engaging in petty corruption. As part of the administration's vaunted police reforms, the interior ministry employed pervasive monitoring of its employees using a special division called the Internal Inspection.[178] One tactic employed by the interior ministry was to use undercover officers to identify other police soliciting or accepting bribes.[179] Similarly, Joba Ebanoidze, former head of the public registry office within the Ministry of Justice described using hidden cameras and software monitoring systems to identify acts of corruption by employees. If caught, these officers were often subjected to disproportionate punishment, including a sentence of up to eight or nine years in prison, regardless of the size of the bribe.[180] Certainly this punishment was not applied to all officials caught engaging in petty corruption, although at a minimum most could expect a severe administrative punishment or outright dismissal. Similarly, these punishments were often imposed without any sense of due process.

Procurement Reform

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[178] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009.

[179] Jaba Ebanoidze, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 05/04/2009, Tbilisi, Georgia. Author interview with Shota Utiashvili, Tbilisi, Georgia, 11/27/2103.

[180] Author interview with Shota Utiashvili, Head of Analytical Department, Ministry of Internal Affairs (2004-2012) Tbilisi, Georgia, 11/27/2103; Author interview with Gela Kvashilava, Deputy Director, Analytical Department, Ministry of Internal Affairs (fmr.), Tbilisi, Georgia, 12/16/2013.

Finally, public procurement reform was not a central focus of Saakashvili's public sector reform program. Access to state resources was one central mechanism through which Shevardnadze maintained the political support of Georgia's key economic elites. According to Dolidze, the state administration under Shevardnadze was disorganized and corrupt, but it was not a classical patronage system.[181] Rather, an oligarchy of economic elites who controlled monopolies buying and selling energy and public utilities supported Shevardnadze in order to obtain preferential state regulation and licensing.[182] Specifically, procurement-related corruption and preferential state treatment was one tool through which Shevardnadze maintained the support of one of his central client groups—a network of personal associates and family members that controlled Georgia's largest financial and business interests (Wheatley and Zurcher 2008, 20). Bendukidze, for example, identified licensing of construction companies and public transportation providers as sectors that were particularly difficult to reform given strong representation of these interests in parliament.[183]

Although Saakashvili and the UNM initiated limited procurement-related corruption and preferential state licensing and regulation, they did not do so through the

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[181] Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013. By "classical system" Dolidze appeared to be implying a lack of organization of the state administration for patronage purposes. That is, jobs and corruption opportunities were not offered in exchange for votes in a contract enforced by a relatively strong political machine. In fact, the main character of the state administration under Shevardnadze seemed to be weakness and disorganization. This state weakness is one point of contrast between Georgia and Ukraine, where the state administration was highly centralized, and from Darden's (2008) perspective, corruption and blackmail served as mechanisms of state strength.

[182] Ibid.

[183] Author interview with Kakha Bendukidze, Tbilisi, Georgia, 12/10/2013.

institutionalization of formal legal restrictions. The Saakashvili administration did prioritize the streamlining of licensing and regulation processes, especially through the reform of the Public Registry, the justice ministry department tasked with keeping property records. As part of these reforms, Public Registry head Jaba Ebanoidze took steps to streamline the property registration process, to introduce e-governance systems to reduce opportunities for graft, and to introduce a formal fee structure so that large banks and enterprises could expedite service without informal payments.[184] Furthermore, consistent with his libertarian ideology, Bendukidze consistently advocated within the administration for mass privatization.[185] Later in Saakashvili's second term, the administration did achieve more concrete steps to reform the public procurement system, with the introduction of a fully electronic system in 2010. In a 2013 analysis, Transparency International Georgia praised the system for increasing transparency and equal treatment in state procurement contracts.[186]

However, both formal and informal features of the procurement system under Saakashvili have drawn criticism from the NGO community and political opponents. The Transparency International Georgia analysis noted several weaknesses in the electronic procurement system that could facilitate abuse, including exemptions for contracts

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[184] Jaba Ebanoidze, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 05/04/2009, Tbilisi, Georgia.

[185] An oft-quoted mantra of Bendukidze held that "Georgia should sell everything except its conscience," or a similar variant.

[186] "Georgia's Public Procurement System," Transparency International Georgia, 06/2013 [http://transparency.ge/en/node/3117] accessed 05.25/2015.

approved by the president or government,[187] exemptions for procurement with funds from presidential and governmental discretionary funds, and the potential political uses of a blacklist associated with the system.[188]

Political opponents have often accused Saakashvili of maintaining a system of elite corruption in order to preserve political power. According to Nogaideli, a former ally of Saakashvili and Zhvania, advancements in the reform of the procurement process achieved by 2007 had been reversed by 2009, with only companies connected to personalities within the government participating in public tenders, in part due to the Saakashvili administration's use of state financial bodies to harass economic interests with opposition leanings.[189] A National Integrity Analysis conducted by Transparency International Georgia echoes these concerns, noting that several high ranking current or former officials in Saakashvili's governments, including former defense minister Irakli Okruashvili, and deputy ministers in the finance, healthcare, and education ministries were charged with procurement-related corruption.[190] One interpretation of these arrests

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[187] Several specific sectors fell under the purview of this exemption, including sectors that were particularly rife with corruption under Shevardnadze, including public utilities procurement, state procurement of media, defense or security related procurement, the Georgian National Railway, and the state Oil and Gas Corporation ("Georgia's Public Procurement System," 2013).

[188] The Competition and State Procurement Agency (CSPA) may blacklist companies for procurement misconduct, effectively freezing these companies out of government tenders. Transparency International Georgia notes the blacklist is vulnerable to the re-registration of companies, but more importantly, to political abuse ("Georgia's Public Procurement System," 2013. pp. 6). That is, the administration could lock out companies friendly to the UNM's political opposition.

[189] Zurab Nogaideli, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Tbilisi, Georgia, 04/28/2009.

[190] "National Integrity System: Transparency International Country Study," Transparency International Georgia, Tbilisi, 2011.

holds that Saakashvili allowed the same sort of permissive environment for elite-level corruption, gathering *kompromat* and enforcing the law to punish political defections.[191] Given the timing of Okruashvili's arrest, it seems clear that both he and his associates were engaged in some degree of elite-level corruption, and that the charges were selectively applied, and therefore politically motivated. What is unclear, however, is the degree to which elites in Saakashvili's administration engaged in corruption, and how systematic was the UNM's efforts to collect *kompromat* for the purposes of political blackmail.[192] In any case, whatever steps the Saakashvili administration took to reform the public procurement process, those reforms appear to apply primarily to politically insignificant tenders, and likely for the purpose of attracting foreign direct investment. Saakasvhili and the UNM have been less willing to surrender control over tenders of politically important contracts associated with state security or infrastructure, and throughout Saakashvili's two terms it appears his administration tolerated at least some degree of procurement-related corruption in exchange for political loyalty.

Assessment Conclusion

Even to the extent these procurement reforms did work to make the process more transparent, they do not seem to have been particularly important in contributing to the

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[191] Ibid., pp. 25. The NIS is careful to note these allegations are speculative. Wheatley (2008) also advocates this interpretation, noting that Okruashvili and one of his personal clients were arrested immediately after Okruashvili formed an opposition political party (pp. 25).

[192] Timm (2010) details at least one instance of the use of *kompromat* by the UNM following the Rose Revolution, in order to secure the resignation of a local administration head in Kakheti. Timm asserts it was not an isolated incident.

anticorruption gains Saakashvili's reforms did achieve. Rather, Georgia's dramatic reduction of public sector corruption depended on two interlocking strategies. First, the administration dismissed outright a large proportion of the state administration, replaced or re-qualified personnel, and dramatically increased official salaries associated with the remaining positions. Second, the administration relied on the interior ministry, prosecutor's office, and prison system to impose a draconian regime of anticorruption monitoring and enforcement. This plank of the strategy included both shakedowns of elites associated with Shevardnadze's administration, and the identification and punishment of petty corruption among lower level officials.

These interlocking strategies reduced corruption through two mechanisms. First, the reduction of the public sector and salary increases, combined with restitution paid by former associates of Shevardnadze that helped fund the state budget, both reduced the need to engage in corruption and attracted more qualified personnel to public service. Second, the retroactive prosecution of former elites and ongoing monitoring and sanctioning of public sector employees deterred state officials. The prospect of severe punishment with no due process, combined with higher salary and more prestige, therefore acted in concert as a stick and carrot to reduce the incentive for corruption among public sector employees, even in the context of incomplete human resources or public procurement reforms.

Georgia's reform project, therefore, fits comfortably with standard principal-agent models of corruption. The Saakashvili administration simultaneously raised material incentives, improved monitoring, and imposed sanctions that made the costs of engaging in corruption prohibitive for most public sector employees. However, keeping in mind models of clientelistic politics, in which principals face little incentive to actually enforce regulations, this principal-agent approach does little to explain why political principals in Georgia were able to implement these reforms in the first place. The following sections advance such an explanation. Keeping in mind the previous case study of Ukraine as a theoretical baseline, in which an emerging reformer was unable to implement reforms due to credible commitment problems, I argue that Saakashvili's reforms were also the product of a path-dependent process in which his early party-building strategy exerted effects on reform outputs by coordinating political elites and insulating the reform coalition from electoral pressures. Lacking the constant internecine political competition within the reform coalition as in Ukraine, Saakashvili and his UNM party were better able to credibly commit to reforms—specifically to abandoning the use of high level positions as patronage, and to providing public goods in addition to private and club goods to voters. Again, I trace this process through four stages—the status quo under Shevardnadze, the emergence of Saakashvili and his party building strategy, the power transition and institutional consolidation during the Rose Revolution, and the stage of governing.

Stage 1: Georgia Under Shevardnadze

This section describes the first stage in the process of public sector reform in Georgia—a status quo in which a patronal president, Eduard Shevardnadze, maintained political power by presiding over a set of competing economic elites. Georgian politics during this era was largely characterized by Shevardnadze's inability to address the problem of public sector corruption that made him increasingly unpopular with the public, due to opposition from vested interests that controlled key positions in the state administration. Like Kuchma in Ukraine, Shevardnadze faced a politician's dilemma in which public sector reforms would have increased his popularity with the public, while alienating key elites upon whom he relied for electoral support.

Also like Kuchma, Shevardnadze attempted a hedging strategy in response to this dilemma. His administration attempted to signal a commitment to public sector reform through formal legislation and regulation, and attempted to provide some degree of good governance by appointing a cadre of "young reformers" including Saakashvili, Zurab Zhvania, and several associates. However, facing opposition from vested interests in the government, Saakashvili and the reformers split from the government beginning in 2001, moving into opposition to contest the 2002 local elections and 2003 parliamentary elections. This split sparked a parliamentary crisis that weakened Shevardnadze's Citizens' Union of Georgia (CUG), a centrist party that served as an umbrella for a diverse coalition that included both the reformers and oligarchic interests.

This section proceeds in two steps. First, I describe the political environment in Georgia under Shevardnadze, focusing on both the formal and informal political institutions that created a politician's dilemma that impeded reform efforts. Second, I describe Shevardnadze's efforts to mitigate this dilemma by introducing formal legislation and regulation, thus creating the central problem of credible commitment faced by Saakashvili and the emerging reformers.

Shevardnadze's Politician's Dilemma

Prior to the 2003 parliamentary elections that produced the Rose Revolution, incumbent president Shevardnadze faced a politician's dilemma—his use of state positions and resources, and associated opportunities for corruption, to maintain political support from key economic elites made his administration increasingly unpopular. Just as in Ukraine, Shevardnadze's maintenance of power depended on an interaction of the formal powers of a strong presidency, and informal powers associated with patron-client networks. Within this context, pervasive corruption operated as a political tool. By doling out access to the state administration and the associated opportunities to capture state resources, Shevardnadze maintained the support of key allies, and punished potential defectors. Thus while the associated pervasive corruption made Shevardnadze increasingly unpopular with voters, he could not credibly commit to reducing it without alienating key allies. As a result, Shevardnadze adopted a hedging strategy similar to that of Kuchma in Ukraine—his administration, including a wing of young reformers,

initiated nominal anticorruption reform measures that stopped short of enforcement where they infringed on the interests of key clients.

Formal Institutions

As in Ukraine, formal institutional power in Georgia was centered in the presidency and the State Chancellery,[193] facilitating the use of political and civil positions in the state administration as a source of patronage. Georgia's formal institutional framework was established by the 1995 constitution, which concentrated formal power in the presidency, established a mixed electoral system,[194] and established a unitary system with strong presidential control of local appointments, budgets, and policy.

First, the 1995 constitution established a strong balance of power in favor of the presidency relative to parliament. The constitution abolished the post of prime minister, centralizing all cabinet appointments under the presidency. As a result, with no premiership to coordinate the activities of the ministers, individual ministers had little power independent of the president (Wheatley 2005, 95), and could not act as a collective check on presidential power. As a result, parliament and the ministers had little independent policy making authority, and governing was primarily the responsibility of the president and the State Chancellery (Wheatley 2005, 95).

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[193] Roughly equivalent to the presidential administration in Ukraine.

[194] Similar to Ukraine, half of Georgia's 235 parliamentary seats are elected via proportional representation by national party lists with a 5% threshold, and half by majoritarian districts, according to the 1995 constitution. A constitutional referendum held concurrently with the first run of the 2003 parliamentary elections reduced the parliament to 150 seats.

This constitutional balance of power in favor of the presidency became a central point of contention between Shevardnadze's supporters and the reform wing of his party of power, the Citizens Union of Georgia (CUG). In response to the emergence of a small cadre of "young reformers," including future President Saakashvili and Prime Minister Zurab Zhvania, who pushed for a devolution of executive power, both to the parliament and local government, the State Chancellery defended the institutional prerogatives of the presidency, opposing establishment of a premiership, and supporting the presidential power of appointment for influential regional positions.[195]

Also like Ukraine, the state administration in Georgia was highly centralized. Regional and municipal level governments lacked budgetary and administrative autonomy. As a result, policy and regulatory authority was held largely by officials at the center, especially ministers and MPs, creating incentives to initiate legislation and regulation to advance the private interests of politicians or their economic clients (Godson et al. 2004, 10). Jackson (2004) provides an overview of the development of Georgia's state administration following independence, finding the roots of centralized authority in the legacy of the Soviet system and the 1991-1993 Georgian civil war, during which the central state security organs were the only institutions capable of exercising any authority (pp. 80). The 1997 Law on Local-government and Self-government adopted under Shevardnadze established the framework for the relationship between central and

[195] 2001. "GEORGIA: CUG Split Over Reform Priorities." Oxford, United Kingdom: Oxford Analytica Ltd.

local government, providing little discretion or autonomy for the latter (Jackson 2004, 80). While local councils (*sakrebulos*) do retain some budget autonomy, most local power is vested in *gamgeoba* (local administrations), with the head officials at the main subnational levels, including the regional, district, and municipal levels, are appointed by the president, and subsequently appoint their own deputies (Jackson 2004, 81-82).[196] This combination of presidential appointments at all levels of the state administration, combined with de facto central control of expenditures, creates an environment that facilitates the use of patronage to maintain political power. Indeed, local officials' political associations are often fluid, as they change party affiliation in order to maintain access to central state resources after changes in power.[197]

Informal Institutions

Patron-client Networks

As a patronal president, Shevardnadze relied on three major groups to maintain power and stability in Georgia—networks of former communist party officials, local political patrons, and organized crime groups. These diverse interests were largely represented in parliament by Shevardnadze's Citizens' Union of Georgia (CUG) party, an umbrella party of power with no discernible ideology.[198] These competing networks were

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[196] This formal distribution of powers between the center and periphery is considerably more nuanced than described here. For more details, see Jackson (2004) and Boex (2006). For an assessment of Georgia's decentralization reforms under Saakasvhili, see Boex (2006).

[197] For an excellent case study of how local power brokers in one Georgian municipality responded to the 2012 change in power from the UNM to the Georgian Dream coalition, see Gotua and Svanidze 2013.

[198] Haindrava (2003) characterizes the CUG as a LLC, with constituent shareholders that competed over investments and payouts.

the central source of corruption in Georgia, creating the need for Shevardnadze to balance their influence by introducing anticorruption reforms. Indeed, specific state agencies were often captured by respective client groups. Batu Kutelia[199] notes, for example, that under Shevardnadze, the internal affairs ministry and the other state security services were heavily politicized and used for "maintaining balance in the country…[through] different influence on different groups."[200]

First, Shevardnadze relied on a circle of personal associates connected with the Soviet bureaucracy and Komsomol (Communist Youth League) networks (Wheatley 2005, 97). Shevardnadze relied in his personal network of family members and communist associates for governing via the executive branch, including the state security agencies, the Ministry of Internal Affairs, and the State Chancellery in particular. Furthermore, Georgia's most important businesses and infrastructure was controlled by Shevardnadze's extended family network, and as such, received preferential state treatment in licensing and regulation (Wheatley 2005, 109-115).

Second, Shevardnadze relied on local political patrons to maintain stability in Georgia's regions, especially following the civil war in the early 1990s. Two of these local strongmen were particularly notable. Levan Mamaladze, governor of the Kvemo

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[199] Currently a McCain Institute Fellow, formerly Georgia's Ambassador to the United States and holder of several deputy minister level positions under Saakashvili.

[200] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009. Wheatley (2005, pp. 110) describes the sectoral and geographic "feudalization" of power in Georgia. Wheatley provides an excellent analysis of the capture of particular elements of the state by distinct networks.

Kartlii region,[201] for example, was a particularly influential member of Shevardnadze's CUG, commanding his own bloc of loyal MPs in parliament. Shevardnadze relied on Mamaladze to maintain the political support of Kvemo Kartlii voters, in part through he use of the local administration as a patronage machine. In turn, Mamaladze and his associates used the state administration to advance their own political and economic interests.[202] In contrast to this cooperative relationship, Shevardnadze maintained an accommodative relationship with Aslan Abashidze, who effectively governed the autonomous province of Adjara as a personal fief, to the extent that the region operated in many ways as an independent state, with customs checkpoints at points of entry between Adjara and Georgia. Notably, Abashidze resisted integration with Georgia, and as such, maintained an antagonistic relationship with Shevardnadze. Abashidze was not a CUG supporter, instead contesting national political contests with his own Revival party. However, with a mutual interest in opposing the growing influence of the young reformers, who had moved into opposition by the late 1990s, Shevardnadze and Abashidze cooperated to contest the 2003 parliamentary elections that resulted in the Rose Revolution. In this case, Shevardnadze and the central government tolerated Abashidze's criminal activities, given its inability to forcibly incorporate Adjara into Georgia. Abashidze therefore played a role in maintaining a stable status quo, especially given conflicts in the other autonomous regions of Abkhazia and South Ossetia that periodically resurfaced.

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[201] An ethnic Azeri enclave.

[202] For additional details and examples, see Wheatley (2005, 119-120).

Finally, Georgia's entrenched organized crime and paramilitary groups made it difficult for Shevardnadze to take concrete steps to eliminate public sector corruption. These crime groups, including figures associated with the Soviet-era prison mafia known as *Vory v zakonye* (thieves-in-law), and the remnants of former paramilitary groups from Georgia's civil war in the early 1990s,[203] used state resources, particularly Georgia's corrupt police and customs services, to facilitate illicit business interests, including extortion rackets, kidnapping, smuggling, and trafficking.[204] This nexus of the state and organized crime was at least partly the legacy of Georgia's first president, Zviad Gamsakhurdia, who allotted top political posts to figures associated with the shadow economy under the Soviet Union (Suny 1994 quoted in Godson et al. 2004, 8). By 1996, as a result of an attempt on his life, Shevardnadze had effectively marginalized the *Mkhedrioni* (Horsemen), the most significant paramilitary holdover from Georgia's civl war in the early 1990s. Shevardnadze weakened the Mkhedrioni in part through police repression (Wheatley 2005, 96), and in part through co-optation, as regional police structures absorbed members of the group.[205] Where the early 1990s in Georgia were characterized by anarchy, the latter half of the decade saw Shevardnadze reassert the authority of state institutions. This institutional development resulted in significant

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[203] Tkeshelashvili, Princeton ISS, 2009; Kupatadze 2010.

[204] For details on the extent of Mkhedrioni penetration of the Georgian state, and the criminal opportunities it provided, see Kupatadze (2010). For analysis of the relationship between the thieves-in-law and the state, see Slade (2013).

[205] Wheatley and Zurcher note that Shevardnadze often allotted state posts to local power brokers who had the potential to act as political spoilers (pp. 19).

overlap between these groups and state institutions (Kupatadze 2010). The entrenchment of these figures in Georgia's political elite made it difficult for Shevardnadze to take concrete action that conflicted with their interests (Godson et al. 2004).

Corruption as a Political Tool

As was the case in Ukraine, public sector corruption in Georgia operated not just as an economic transaction, but as a political tool. At least two interpretations corruption in Georgia seem to disagree about the degree of political systemization of corruption under Shevardnadze. The first, often drawing on comparisons to Ukraine, and specific references to Darden's "blackmail state" concept, interprets corruption as a highly centralized system of rewards and punishments through which Shevardnadze maintained stability and political loyalty. Kutelia, for example, describes the Georgian public sector under Shevardnadze as a "corrupt system", structured as a hierarchical pyramid in which income gained from corruption is payed up the ladder to superiors at increasingly high levels of the pyramid.[206]

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[206] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009; Respondent Gela Kvashilava also described corruption as a "pyramid," with bribes taken at the street level and paid upward as tribute through the pyramid (Author interview with Gela Kvashilava, Tbilisi, Georgia, 12/16/2013). Kandelaki (2006, 3-4) asserts in the abstract that systemic corruption encourages the development of the "blackmail state," and implies Shevardnadze employed *kompromat* to ensure elite loyalty. He does not make this statement directly, and employs no specific evidence. Likewise, Wheatley (2008) and Timm (2010) employ the "blackmail state" concept to describe Georgia under Shevardnadze. Timm, in particular, details the accumulated evidence from the secondary literature for this interpretation. Finally, Wheatley (2005) details specific examples of the use of *kompromat* by Shevardnadze's administration, gleaned from extensive surveillance by state security agencies (pp. 105).

The second interpretation calls into question the organization of corruption in Georgia. For example, public administration expert Nino Dolidze disagreed with the "pyramid" characterization, noting that the state administration was relatively disorganized, and that while people took bribes at all levels, people close to the government made the bulk of their income selling energy and utilities under preferential arrangements.[207] In this interpretation, corruption was more of an uncontrollable free-for-all than a relatively organized political system. Vakhtang Lejava concurred with this interpretation, arguing that under Shevardnadze, there was no single pyramid, but that Shevardnadze set a permissive environment.[208] In fact, these interpretations likely apply to separate parts of the state administration. Kupatadze (2010), for example, details the systematic control of organized crime activities, including bribery pyramids, among regional security officials. However, even assuming corruption in Georgia lacked some of the character of a "stick" as applied in Ukraine, it definitely provided an attractive "carrot" for Shevardnadze's clients.[209]

Employment in the state security agencies and licensing departments in all ministries were particularly lucrative. One respondent described numerous institutions of higher learning housed in a single classroom as the result of entrepreneurs purchasing

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[207] Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013.

[208] Author interview with Vakhtang Lejava, Chancellor, Free University of Tbilisi, Fmr. Deputy Minister of the Economy and Deputy State Minister for Reforms Coordination, Tbilisi, Georgia, 12/05/2013.

[209] Lejava also argued that corruption in Georgia was also political—a way for people to keep power (Author interview with Vakhtang Lejava, Tbilisi, Georgia, 12/05/2013).

education licenses from the Ministry of Education and Science for a few thousand lari.[210] In many cases, employment in human resource departments was lucrative because it offered the opportunity to sell positions.[211] For the "power" agencies, including the domestic and foreign security bodies and financial bodies, monitoring capacity and distinct militarized forces allowed officials to influence economic activity.[212] In the abstract, this capacity to influence economic transactions offers opportunity for corruption at all levels, from top level officials to accept payment in return for employing agencies in the service of private economic actors, to lower level officials to operate protection rackets or issue preferential licenses.[213] The income from these corrupt activities, in turn, was used to advance the political interests of officials or economic clients.[214]

At lower levels of the state administration, petty corruption was endemic. In part to supplement low official income, public sector employees with opportunities to interact with the public solicited bribes from citizens in exchange for performing official duties like issuing licenses or handling payments for services. The notoriously corrupt traffic

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[210] Author interview with Mary Gabashvili, Tbilisi, Georgia, 11/29/2013.

[211] Ibid.

[212] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009.

[213] For an excellent overview of various other mechanisms through which the Georgian state provided corruption opportunities for politically loyal clients, see Timm (2010, pp. 2-4).

[214] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009.

police continually flagged down cars in order to extract bribes in exchange for leniency on fictional offenses. In much the same way as the state administration operated as an investment market in Ukraine, aspiring public employees in Georgia had to pay up front to obtain a position and the corresponding opportunities to extract bribes.[215] In this sense, corruption operates as a buy-in to a political and economic system. By making a relatively large up front investment, public sector employees would be reticent to support any political opposition that threatened their ability to enjoy returns on their investment.

Indeed, corruption so pervaded the public sector that corrupt employees made little effort to cover it up. According to one interview respondent, public sector corruption was so open that it was generally common knowledge which officials were corrupt, and that their crimes were very obvious.[216] Indeed, as one respondent put it, corruption requires the perpetrator to advertise; employees had to signal their willingness to take bribes in order to encourage citizens to offer them.[217]

Shevardnadze's Hedging Strategy

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[215] Author interview with Mary Gabashvili, Tbilisi, Georgia,11/29/2013. Author interview with Shota Utiashvili, Tbilisi, Georgia, 11/27/2103. Utiashvili is referring specifically to the police here, while Gabashvili refers more generally to state employees. The 2012 World Bank report on Georgia's reforms quotes a figure of US$2000-$20,000 to purchase a position as a traffic police officer, depending on the location of the post and the associated opportunities to extract bribes.

[216] Author interview with Lily Begiashvili, Tbilisi, Georgia, 11/26/2013. Begiashvili also described a set of social norms with regard to bribery—a set of shared understandings about under what circumstances a bribe could help achieve a goal.

[217] Author interview with Shota Utiashvili, Tbilisi, Georgia, 11/27/2103.

Shevardnadze, therefore, maintained his rule through a combination of the use of patronage and corruption opportunities associated with positions in the state administration. While the preferential use of state resources and opportunities for rent-extraction was a central tool through which Shevardnadze maintained political support among economic elites, pervasive corruption in the state administration made him unpopular with the public. In response to this unpopularity, and in an apparent attempt to provide some semblance of good governance, Shevardnadze's administration adopted a hedging strategy that involved the adoption of formal legislation and regulation to reduce public sector corruption, and the appointment of young technocrats, ostensibly tasked with improving the functioning of state organs.

Formal Anticorruption Initiatives

The first plank in Shevardnadze's ostensible anticorruption reforms was the adoption of formal legislation and regulations. As early as 1995, following Georgia's civil war, Shevardnadze took several steps in cooperation with international donors to reform the civil service. One early effort, financed by the Technical Aid to Commonwealth of Independent States (TACIS) organization, trained experts in structural and personnel issues, established a training program for civil servants, and conducted analyses of the organization of state organs, ultimately resulting in the establishment of the Public Service Bureau under the State Chancellery in 1998.[218] In 2000, acting on the

[218] Kartlos Kipiani, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Tbilisi, Georgia, 04/27/2009.

recommendations of a panel of independent analysts, Shevardnadze established the State Anticorruption Bureau and an Anticorruption Policy Coordination Council with the power to make recommendations and submit draft legislation, but with no enforcement capacity (Godson et al. 2004).[219] Finally, in 2002, Shevardnadze initiated a reform of the state "power ministries," including the judiciary and domestic and international security agencies, based on the recommendations of an interdepartmental commission (Godson et al. 2004). Writing in 2003, Godson was optimistic about the prospects for the overhaul of these agencies, citing structural changes in the power ministries, and staff turnover as the result of re-qualification of officials (pp. 17-18). However, with the Rose Revolution occurring late in 2003, the eventual outcomes of these reform efforts are unknowable, and in retrospect, there is little reason to believe Shevardnadze was willing or able to implement these reforms in a meaningful way.

Similar to Ukraine under Kuchma, the problem of public sector corruption in Georgia was the result not of a lack of formal institutional rules, but of the will to enforce existing regulations. Indeed, even had he wanted to, Shevardnadze could not reliably implement serious anticorruption regulations without infringing on the interests of key clients. Indeed, when the young reform team appointed by Shevardnadze to address some of these problems did so, they were immediately marginalized by vested economic interests with representation in parliament. According to Wheatley (2005, 95) Shevardnadze had an informal agreement with the young reformers under which the

[219] Wheatley (2005, 105) maintains that the real purpose of the anticorruption coordination councils was to obtain *kompromat* on political opponents.

president and the State Chancellery would maintain responsibility for day-to-day governance, while the young reformers, generally inhabiting positions in parliament with little formal power, would introduce piecemeal reform efforts through legislation. Kartlos Kipiani, an expert leading the Public Service Bureau reform effort in 1998 described these reforms as "quite mechanical," analyzing regulations and recruitment practices, while political principals took no interest in the recommendations generated by the project.[220] The recalcitrance of the conservative elements within the CUG and the parliament more generally led the reform wing of the party into open criticism of Shevardnadze, arguing that he lacked the will to implement real anticorruption reforms (Haindrava 2003, 24).

Appointment of Reformers

This reform wing of CUG constituted the second plank in Shevardnadze's efforts to improve his popularity. This reform team included early CUG general secretary Zurab Zhvania and his proteges like Zurab Nogaideli, Minister of Finance under Shevardnadze, who would later take over the post of prime minister after Zhvania's death. Most notably, Shevardnadze appointed US-educated lawyer Mikheil Saakashvili to the post of Minister of Justice in October 2000. While the young reformers did produce some gains for Shevardnadze in terms of good governance, just as in Ukraine, the reformers were

[220] Kipiani, Princeton ISS, 2009.

marginalized when their initiatives infringed on the core interests of Shevardnadze's clients.

In particular, Saakasvhili, in contrast to the more moderate Zhvania, who preferred to negotiate within the CUG, adopted a radical approach to reducing corruption within the CUG and the state more generally. In fact, as justice minister, Saakashvili adopted a particularly antagonistic stance toward corrupt officials in the CUG and in Shevardnadze's administration. For example, violating traditional norms, Saakashvili routinely named and shamed individual government officials for corrupt dealings. Ultimately, perhaps as a pretext to move into opposition to CUG, Saakashvili sponsored legislation mandating the return to the state of resources or property gained by way of the use of public positions for private gain. This legislation was repeatedly stonewalled in parliament, leading Saakashvili to split openly with Shevardnadze and CUG by resigning his position in September 2001.

Like Kuchma in Ukraine, Shevardnadze relied to some degree on reformers like Saakashvili to provide good governance and bolster the reform credentials of the administration with the public and international donors. However, in the same way Yushchenko was dismissed for infringing on the prerogatives of Kuchma's economic clients, Shevardnadze's key supporters in Georgia used the resources at their disposal to keep reformers like Saakashvili from undertaking any reforms so substantial as to infringe on their economic interests.

Stage 1 Conclusion

Prior to the 2003 Rose Revolution, therefore, the political environment in Georgia exhibited a set of conditions that resembled that of Ukraine's under Kuchma. Shevardnadze relied on public sector positions and the associated opportunities for corruption to secure political support among key economic and political elites. This interaction of formal and informal institutions created a politician's dilemma—public sector corruption made Shevardnadze increasingly unpopular, but substantial reforms to reduce corruption would have alienated key supporters. Indeed, reform efforts by young technocrats within CUG, especially justice minister Saakashvili, antagonized key figures in the party, leading Saakashvili to resign and move into open opposition in advance of the 2002 local elections. In the next section, I argue that a key early decision by Saakashvili—to build an opposition party by mobilizing external constituencies instead of aggregating existing political and economic patrons—set him on a path that facilitated his credible commitment to public sector reforms upon coming to power following the Rose Revolution in 2003.

Stage 2: Reformer Emergence and Party Building

Following the repeated parliamentary stonewalling of his bill to re-appropriate state resources, Saakasvhili resigned his position and split with the CUG in 2001, moving into opposition to contest the upcoming local elections in 2002. While enjoying high

public approval stemming from his reputation as a reformer, Saakashvili faced the challenge of building a viable electoral vehicle with which to contest the local elections.

Like Yushchenko in Ukraine, Saakashvili's popularity with the public and reputation for reform provided an electoral advantage. However, Saakashvili's political party building strategy differed clearly. Unlike Our Ukraine, which served as an umbrella bloc for pre-existing clientelistic parties, Saakashvili's National Movement relied less on pre-existing political patrons, and more on the mobilization of external constituencies to contest the 2002 local elections. The National Movement's success in the 2002 local elections increasingly attracted civil society reform constituencies in the lead to the 2003 parliamentary elections. As such, the National Movement incorporated a core "latent" group capable of ensuring the political elites associated with the party pushed collective goals like public sector reform at later stages of the reform process. In short, Saakashvili's mobilization of external constituencies through appeals to values made his emerging party less dependent on individual political or economic elites, making the party a key focal point for the coordination of key reform elites and organizations.

The Political Environment for Reformer Emergence, 1999-2002

Saakashvili's emergence as part of the opposition to Shevardnadze and the CUG actually began with his election to parliament on the CUG party list in 1995. Parliamentary chairman Zurab Zhvania, the main representative of the reform wing of

CUG, recruited Saakashvili, along with several other young, often western-educated professionals to run for parliament in order to advance a reform agenda. By the mid-1990s, the CUG was effectively an umbrella party, incorporating both modernizing reformers like Zhvania, and representatives of interests of key economic elites and regional interests. In 2000, Shevardnadze appointed Saakashvili to the post of Minister of Justice. In this position, Saakashvili focused primarily on the issue of corruption in the administration, adopting an antagonistic stance toward corrupt high level officials and recipients of preferential treatment from the state.[221] Most notably, Saakashvili introduced a draft law "on the return of groundless possession to the state," which would effectively nationalize property deemed to have been gained through corruption. Contravening existing parliamentary norms, Saakashvili antagonized his CUG colleagues by publicly naming officials to whose property the law would apply.[222] Naturally, the conservative elements within the CUG actively resisted Saakashvili's draft law, providing a pretext for Saakashvili to resign as Minister of Justice in September 2001.

The debate over Saakashvili's legislation and his eventual resignation coincided with an ongoing political crisis in parliament, leading to Shevardnadze's dismissal of the

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[221] Recall, in contrast, Yushchenko's preference to work with Kuchma and the oligarchic parties in the *Rada*, even going so far as to condemn the "Ukraine Without Kuchma" protesters.

[222] In parliament, Saakasvhili displayed photos of estates of state ministers, including the Minister of Economics, the Minister of Trade and Industry, the Minister of State Security, and the Head of the Tbilisi police headquarters. "Actual Names of Those Who Seizes State Property Were Announced (sic)," *Civil Georgia*, 09/09/2001.

cabinet in November 2001.[223] The crisis was the result of several concomitant processes, including tension with Russia over the autonomous region of Abkhazia and North Caucasus insurgents operating out of Georgia's Pankisi Gorge, growing conflict between the reform and conservative wings of the CUG, and ongoing debates over constitutional reform. Most immediately, Shevardnadze dismissed the cabinet in response to street protests following a raid on the Rustavi-2 television station, which had been critical of the government. Zhvania also moved into open opposition to Shevardnadze and the CUG following the Rustavi-2 raid.

This crisis continued a process of fracturing of the CUG that significantly weakened the party moving into the 2002 local elections. The dissolution of the CUG began in 2000 with the defection of pro-business David Gamkrelidze to form the New Rights Party, ostensibly also reform oriented, but also representative of core business interests that relied on Shevardnadze (Mitchell 2008, 37).[224] In late 2001, the young reformer wing of the party moved officially into opposition, with Saakashvili resigning in September 2001 and Zhvania following in November.[225] The defection of the young reformers effectively finished off the CUG as a viable electoral vehicle, with the pro-presidential party securing only 70 total seats with the support of an additional 600 seats

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[223] Wines, Michael, "TV Station Raid in Georgia Leads to Protests and Cabinet's Ouster," *The New York Times,* 11/02/2001 [http://www.nytimes.com/2001/11/02/world/tv-station-raid-in-georgia-leads-to-protests-and-cabinet-s-ouster.html] accessed 05/26/2015.

[224] Mitchell notes that many saw the New Rights as an artificial opposition party.

[225] Their Rose Revolution partner Nino Burjanadze took over Zhvania's position as speaker of parliament, departing much later in the summer of 2003.

won by independent candidates in the 2002 local elections (Welt 2009, 159).[226] Notably, the CUG failed to cross the electoral threshold for representation in the Tbilisi *sakrebulo*, a particular influential body in national politics due to the concentration of Georgia's population in the capital. In contrast, Saakashvili's new National Movement outperformed expectations, winning 24% of the vote in Tbilisi, second among established parties only to the established Labor Party headed by Shalva Natelashvili.[227]

The 2002 local election results demonstrated the impotence of the pro-presidential CUG as both a brand and an electoral machine. Indeed, its performance in local elections was notable because of the full control of state administrative resources at its disposal.[228] This weakening of the CUG was a therefore a central indicator of the weakness of Shevardnadze's regime moving into the campaign 2003 parliamentary election that produced the Rose Revolution (Welt 2009).

Saakashvili and the Development of the National Movement

[226] With about 4,850 seats contested nationwide, the CUG proper won about one percent of available seats. Including the support of independent candidates, the CUG controlled about 14% of local seats (Welt, 2009).

[227] As Welt (2009) notes, the National Movement's success was largely limited to Tbilisi, as it won less than one percent of available seats nationwide. Independent candidates dominated the aggregate results, with all of the established parties outperforming Saakasvhili's national movement, and Zhvania's team running under the Christian Conservative banner.

[228] Opposition parties and NGOs alleged widespread violations of electoral law.

Saakashvili's resignation from the post of prime minister and his split with CUG left him the central problem of how to mobilize votes in a system characterized largely by political clientelism. Again, upon moving into opposition, ostensible reformers face a choice between two viable strategies through which to make appeals to voters. While clientelistic parties are typically expensive in terms of the transaction costs of monitoring votes, those costs may be significantly reduced by drawing on the pre-existing political machines of political or economic patrons. Alternatively, emerging reformers may mobilize voters through externally mobilized parties using programmatic or ideological appeals (Keefer 2007; Keefer and Vlaicu 2008; Cruz and Keefer 2010). Faced with this choice approaching the 2002 local elections, Saakashvili faced this choice, opting for the latter. Rather than aggregate economic and political patrons as Yushchenko did in Ukraine, Saakashvili attempted to appeal directly to voters, creating associated factions at the local level, and eventually incorporating cadres of reform-oriented civil society organizations. Saakasvhili created the the UNM in part through appeals to a common set of ideas, focused primarily on Georgian nationalism, national defense, and the restoration of Georgia's territorial integrity.[229] Within this ideological framework, Saakashvili and the early constituent groups of UNM emphasized anticorruption, state-building, and European integration as a means to secure Georgia against threats from Russia.[230]

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[229] For details on Saakasvhili's program with respect to the three autonomous regions of Adjara, South Ossetia, and Abkhazia, and two ethnic enclaves, see George (2008; 2009). Of course, the UNM also maintained clientelistic appeals. See Timm (2010).

[230] Julie George (2008) notes that the logic underlying this program was that building a strong state would spur economic development, providing an incentive for residents of the autonomous regions to support integration with Georgia (pp. 1156).

An early indication of Saakasvhili's intention to build support outside of tradition elite political channels was his strategy for advancing his draft law on "returning groundless possession to the state." Rather than work within established parliamentary channels using horse trading, logrolling, or more the explicitly corrupt vote buying or coercion that often accompanied parliamentary politics in Ukraine,[231] Saakashvili went "over the heads" of parliamentarians to take a series of regional trips to appeal directly to the public for the support of the draft law.[232] The draft law on illegal property provided an ideological basis for the collection of a core of young reformers to split from the CUG and form a new party headed by Saakashvili. Seizing the opportunity of the ongoing 2001 parliamentary crisis to provide a viable opposition vehicle for reformers within the CUG, Saakashvili announced the forming of a "National Movement" parliamentary faction, with the support of several reform parliamentarians. Although Saakashvili initially expressed hope that Zhvania would join the new faction, Zhvania declined, preferring to work within the CUG to resolve disputes, and defecting from the coalition later only after losing out to rival Levan Mamaladze, the governor of the Kvemo-Kartlii with a small bloc of loyal parliamentarians, who succeeded in preventing Zhvania's team from running on the CUG party lists in the June 2002 local elections.[233]

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[231] Contrast Saakasvhili's radical approach to that of Zhvania, who had reputation as a moderate who preferred working behind the scenes to broker political compromises ("Mikheil Saakashvili: A Man of Powerful Emotions," Civil Georgia, 12/02/03). This distinction provides another contrast to the personal charisma and ideological consistency of Saakashvili.

[232] "Mikheil Saakashvili Launches Popularization Campaign for the Law on Illegal Property," *Civil Georgia*, 01/01/01.

[233] Zhvania's team instead ran under the banner of the Christian Conservative party, an organization with virtually no name recognition (Haindrava 2003).

However, with a core of reform allies, Saakashvili continued to expand the membership of the National Movement through the use of ideological appeals, especially the idea that public office should not be used for private gain, to local elites and activists. In December 2001, for example, National Movement supporters created a faction in the Tbilisi *Sakrebulo* (city council), and Saakashvili announced consultations to create similar factions in *sakrebulos* throughout the country.[234] These sorts of charismatic appeals were integral to the electoral success of the National Movement in the summer 2002 local elections in the Tbilisi *sakrebulo*, in which the relatively new party officially finished second to the established Labor Party, giving Saakashvili the high profile position of chair following a deal with the Labor Party.

Indeed, the activation of previously politically apathetic segments of the Georgian population was a central strategy of Saakashvili's party building efforts. According to Giorgi Kandelaki (2006), a leader of the *Kmara*! Student activist movement, and later an influential NM parliamentarian, upon forming the NM, Saakashvili began appeals to regional populations that were previously locked out of national-level politics. The mobilization of these constituencies for elections was necessary to maintain the perception that the NM was a viable political force through several rounds of elections that would be needed to build an organizational infrastructure (pp. 8-9). Specifically, to build the NM's electoral base, Saakasvhili went beyond urban voters to appeal to

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[234] "National Movement Starts Creating Factions in the Sakrebulos." *Civil Georgia,* 12/07/01.

members of the lower-middle economic class, rural provincial residents (Mitchell 2008, 51), and middle aged voters, who may have been alienated by Shevardnadze's form of elite politics (Kandelaki 2006, 9).[235]

The importance the National Movement's appeals to external constituencies was apparent in comparison to Zhvania's separate reform team. Although Zhvania was handicapped in the summer 2002 local elections by running under the Christian-Conservative banner after having been effectively prevented from running in the CUG lists by Mamaladze, Zhvania's more moderate reform team quickly regrouped, splitting officially from CUG and forming the United Democrats party in opposition to Shevardnadze and his collapsing party. Although Zhvania reiterated a shared commitment with the National Movement to liberal democracy and economic development,[236] Zhvania's party remained more similar to Yushchenko's Our Ukraine— primarily a collection of political elites (Mitchell 2008, 51).

Stage 2 Conclusion

In contrast to Yushchenko in Ukraine, Saakashvili built his National Movement party in large part through the mobilization of external constituencies using ideological

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[235] Timm (2010) notes that this process was uneven between regions. In Telavi, for example, the UNM drew primarily on former constituencies of existing political parties, as well as on newly mobilized constituencies like citizen-organized electoral organizations (pp. 6-7).

[236] "Zurab Zhvania Speaks to the Readers of Civil Georgia." *Civil Georgia*, 01/16/2003.

appeals, rather than co-opting elite political and economic elites. Through direct appeals to activists at the local level, the National Movement, without being beholden to individual political or economic interests, performed well in the 2002 local elections in Tbilisi, and parlayed this performance into greater success in the 2003 parliamentary elections by continuing to attract activists and civil society organizations throughout the campaign. With a campaign based on the organizational capacity of activists, Saakashvili was able to achieve electoral success by and large without relying on the resources of powerful elites at the national level. This early success demonstrated the viability of Saakashvili and his emerging political party, making it a focal point for elite coordination through the process of popular protests that led to the Rose Revolution following the falsified 2003 parliamentary elections. While Saakashvili continued to rely on clientelistic tactics, his popular support was based on charismatic authority and ideology, allowing him to use this popular legitimacy to adopt an institutional configuration that insulated the reform coalition from political competition following the Rose Revolution.

Stage 3: Transition and Institutional Selection

The falsified parliamentary elections in 2003 produced the Rose Revolution, a popular protest movement that led to Shevardnadze's resignation in December 2003. During the election campaign and the protests, Saakashvili and the National Movement were further able to draw on charismatic appeals to attract political elites and activists.

Following the resignation of Shevardnadze and the ensuing new presidential election, the success of the UNM on the basis of externally mobilized constituencies allowed Saakashvili to adopt institutional arrangements that effectively consolidated political power and insulated his party from electoral competition. In February 2004, Saakashvili and the National Movement forced through parliament a clearly "single-executive" constitution, empowering the president at the expense of parliament and the prime minister. Due to Saakashvili's enormous popularity, and because the UNM was relatively cohesive, this set of constitutional reforms was passed immediately and with little deliberation. In terms of the theoretical framework, by facilitating the institutional protection of Saakashvili and the UNM, Saakashvili's early party-building strategy produced increasing returns—at this stage, institutional consolidation made reform easier by protecting UNM politicians from electoral pressures, allowing them to introduce reforms that necessarily eliminated the political and economic value of state positions.

The Political Environment in Transition: June 2002-November 2003

Again, following his resignation as justice minister in September 2001, Saakashvili moved immediately into opposition, founding the National Movement as a vehicle through which to contest the local elections in June 2002. The National Movement performed well relative to established parties in Tbilisi, giving Saakashvili the post of chairman of the Tbilisi *Sakrebulo* following a deal with the Labor Party.[237] The

[237] Natelashvili's Labor Party apparently agreed to support Saakachvili's chairmanship on the condition he resigned as a member of parliament.

chairmanship provided Saakashvili with a high profile platform upon which to continue criticism of Shevardnadze's government in advance of the 2003 parliamentary elections. For example, in November 2002, the Tbilisi *Sakrebulo* initiated a vote of no confidence in Tbilisi's mayor, a presidential appointee,[238] resulting in the resignation of several lower-level officials in the mayor's administration.[239]

Meanwhile, approaching the 2003 parliamentary elections, the CUG continued its decline. Following the defection of the young reformers, the party was composed only of Shevardnadze's core patron-client groups, including senior bureaucrats, and regional political brokers, and the remnants of Shevardnadze's associates from the Soviet intelligentsia and nomenklatura (Haindrava 2003; Welt 2009, 158). By 2003, the CUG was so weakened that in order to contest the 2003 parliamentary elections, Shevardnadze and the representatives of his clients in parliament were forced to incorporate constituencies previously inhabiting Georgia's political extremes, perhaps hoping to draw on their ability to mobilize their core votes (Welt 2009, 158). Indeed, the process of rebuilding the CUG between the 2002 local elections and the 2003 parliamentary elections resulted in a motley alliance of corrupt state bureaucrats like the head of the state railway department's political movement, core regional supporters like Mamaladze and his For a New Georgia faction, and erstwhile rivals to Shevardnadze and the CUG,

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[238] As a presidential appointee, the Tbilisi mayor served at the pleasure of Shevardnadze, and votes of no confidence carried no formal authority.

[239] Goba Chanadiri, "Council vs. Mayor," *Civil Georgia*, 11/19/02.

including the Socialist Party[240] and the National Democratic Party.[241] This coalition indicated both the declining electoral capacity of the CUG and a perceived need to unite against ascendent reformist forces led by Zhvania's United Democrats and the National Movement in parliament, and Saakasvhili in the Tbilisi *Sakrebulo*.

Opposition Coordination in the 2003 Parliamentary Election

While Shevardnadze and the successor factions of the CUG attempted to aggregate conservative elements against this reformist threat, opposition groups also began a process of bargaining and coordination. Between the 2002 local elections and the November 2003 parliamentary elections, the opposition to Shevardnadze centered on four groups—Saakashvili's National Movement, Zhvania's United Democrats party, Natelashvili's Labor Party, and a political organization associated with Georgia's parliamentary chairperson Nino Burjanadze. As in Ukraine, the disparate opposition groups in Georgia were able to effectively coordinate their campaigns for the purpose of unseating the party of the incumbent. Unlike in Yushchenko's Our Ukraine, however, Saakasvhili's National Movement, with an independent and externally mobilized base of support, served as a focal point for opposition to Shevardnadze and the CUG, continuing to attract support from civil society groups, and shaping alliances with political elites. Notably, the campaign process, culminating in the Rose Revolution, was not

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[240] "Pro-presidential election alliance formed," *Civil Georgia*, 04/03/2003. See also Welt (2009) and Haindrava (2003).

[241] "Eyebrows Raised as NDP Joins Shevardnadze," *Civil Georgia*, 04/13/2003.

characterized by the same sort of instrumental bargaining between competing opposition parties that characterized the Orange coalition in Ukraine[242].

At the mass level, Saakashvili and the National Movement continued to work with civil society groups on the basis of ideological affinity. In contrast to Zhvania's United Democrats, for example, Saakashvili's National Movement campaign strategy focused not on forging electoral alliances with elites, but on local activism, often involving Saakashvili personally traveling to regional strongholds of regime support like Kvemo Kartlii, governed by Shevardnadze ally Levan Mamaladze, and Adjara, governed autonomously by local strongman Aslan Abashidze. In the Adjara campaign, National Movement activists adopted the campaign slogan, "Adjara without Abashidze," a derivative of the National Movement's slogan, "Georgia without Shevardnadze."[243]

More generally, during the 2003 parliamentary campaign, Saakashvili and the National Movement attracted the support of emerging civil society groups and social movements.[244] Most notably, the UNM attracted several leaders of the *Kmara*! (Enough!) group, a network of student activists that had organized campaigns of civil disobedience, protests, and petty vandalism both within Tbilisi and in the regions, against

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[242] As will be detailed in the next stage, appointments following the Rose Revolution do not appear to have been assigned according to pre-campaign protocols. Indeed, several appointments to politically influential posts in the new government were apolitical.

[243] Previously, the NM campaigned in the 2002 local elections under the slogan "Tbilisi Without Shevardnadze."

[244] For a tracing of the development of personal ties between the reform wing of CUG and members of the NGO community under Shevardnadze, see Grodsky (2012).

political and administrative corruption, especially within the education system. The *Kmara!* network was horizontal in nature, with branches at the local level that were independent of any central hierarchy. As a result, local activists working on the basis of common ideas were able to coordinate campaigns at the regional level, even in particularly hostile environments like Adjara, the autonomous region governed by strongman Aslan Abashidze (Kandelaki 2006, 6). It should be noted that *Kmara!* operated independently of the UNM at this stage. Kandelaki notes that Shevardnadze's government attempted to discredit *Kmara!* by calling it the youth wing of Saakashvili's National Movement. While the NM therefore did not formally incorporate *Kmara!*, activists from both organizations coordinated actions, facilitated in part by the Liberty Institute, in the 2003 campaign and the Rose Revolution.[245] Following the Revolution, however, several leading figures in Kmara! Joined the party formally, either as MPs, or as National Movement activists.

Relatedly, the National Movement drew on the activities of Liberty institute, a libertarian-leaning think tank at Chavchavadze State University. The Liberty Institute played a crucial role in the Rose Revolution by providing logistical resources, training, and regional outreach to *Kmara!* activists. Notably, the Liberty Institute served to coordinate the activities of *Kmara!* with the opposition political parties, including the UNM (Kandelaki 2006). Both before and after the Rose Revolution, several central

[245] Kandelaki describes "very close" coordination between *Kmara!* activists and the opposition parties at early stages, due to the limited number of *Kmara*! activists. According to Kandelaki, through NGO connections and private contacts, the youth branches of the UNM and the United Democrats provided hundreds of activists to attend *Kmara*! rallies (pp. 7).

figures associated with the Liberty Institute formally joined Saakashvili's National Movement.

Certainly Saakashvili personally, and the National Movement campaign more generally, often made non-ideological populist appeals to voters in the region, and maintained clientelistic practices. In fact, this was a central part of its campaign strategy. The development of United Movement factions in local *Sakrebulos* prior to the 2002 local elections likely involved a significant effort to attract local political brokers who could produce votes in exchange for state resources.[246] In this sense, Saakashvili's party building strategy surely was not devoid of clientelistic appeals.[247]

At the elite level, the consolidation of the opposition occurred in two basic stages. First, while Zhvania's United Democrats appeared to be favorites to win the 2003 parliamentary elections, in large part due to Zhvania's personal reputation, the party attempted to cement its position through a formal electoral alliance with Burjanadze. The addition of Burjanadze added broader popular appeal and a more developed electoral infrastructure to the elite-oriented United Democrats.[248] The resulting Burjanadze-

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[246] For example, see Timm (2010) for a case study of UNM co-optation of local officials from other political parties, and of citizen-organized electoral blocs in the Telavi region.

[247] Definitely, the UNM drew heavily on clientelistic practices following the Rose Revolution. Notably, and in contrast to Ukraine, it appears the UNM managed to consolidate power so completely that it controlled a single, centralized patronage system. In this sense, at least, it managed to head off clientelistic competition between its constituent parts by incorporating external constituencies at earlier stages of the reform process.

[248] "Burjanadze, Zhvania Confident to Win Elections." *Civil Georgia*, 08/19/2003.

Democrats alliance prompted a string of elite endorsements, including including former economy minister Lado Papava, Shota Gvenetadze of the Young Economists Association of Georgia and Giorgi Margvelashvili, the director of the Georgian Institute for Public Affairs (GIPA),[249] and attracted the Traditionalists party to the coalition.[250] Furthermore, the Burjanadze-Democrats received the highest support in a public opinion poll in September, with Burjanadze herself leading all Georgian politicians in public support.[251] Notably, Saakashvili resisted overtures from Zhvania and Burjanadze during the campaign, preferring to contest the elections as a separate party.

Second, while Saakashvili resisted formal alliances with other opposition parties during the campaign, the opposition rivals were able to cooperate through the events of the Rose Revolution to secure the resignation of Shevardnadze after the falsified 2003 parliamentary elections. Through this process, Saakashvili drew on his independent power base and his charismatic leadership of popular protests to consolidate the opposition. As the influence of Saakasvhili and the National Movement became apparent, his opposition rivals coordinated around Saakashvili as a unified candidate in the ensuing presidential election to replace Shevardnadze.

The Rose Revolution: November 2003

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[249] "Burjanadze, Zhvania Offer Radical Changes," *Civil Georgia*, 08/22/03.

[250] "Burjanadze Hails Unification with Traditionalists." *Civil Georgia,* 11/16/2003.

[251] "The Burjanadze-Democrats Lead the Polls," *Civil Georgia*, 11/20/03.

The Rose Revolution was a series of popular protests that lasted for about three weeks following allegations of electoral fraud in the November 2, 2003 parliamentary elections, and resulted in the resignation of president Shevardnadze.[252] During the election, observers from international organizations and local NGOs, including the International Society for Fair Elections and Democracy (ISFED) and the Georgian Young Lawyers Association (GYLA) reported widespread use of administrative resources by the state administration to manipulate the election. Furthermore, parallel vote tabulations conducted by NGOs suggested Shevardnadze's administration falsified the electoral results.[253] On November 3, the Central Election Commission began to release precinct level results suggesting that the pro-presidential For a New Georgia alliance led all opposition parties. Meanwhile, the opposition parties immediately declared the National Movement had won the elections, and engaged in talks to coordinate action in the case that falsification led to a victory for Shevardnadze's alliance. While the CEC reported that For a New Georgia won the election with 27% of the vote and 57 total seats in parliament, parallel vote tabulations by local NGOs suggested the National Movement finished in first place with about 26% of the vote (Mitchell 2008, 61), corroborating the opposition's claims, and leading to a series of mass protests, primarily in Tbilisi. Despite their common interest in unseating the For a New Georgia alliance, the major opposition groups initially had difficulty coordinating mass action, in part due to personal rivalries between opposition leaders, especially Saakashvili and Zhvania (Mitchell 2008, 50, 64).

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[252] Notably, Shevardnadze's position was not up for election, with the next presidential election scheduled for 2005.

[253] For details on the development of the PVT by ISFED, see Mitchell (2008, 45-46).

Outside of the major opposition elites, however, mass action was coordinated, including at the regional level, by civil society organizations, including the youth movement *Kmara!* And the Liberty Institute, which provided logistical support for activists and protestors (Kandelaki 2006).

Although separate opposition personalities vied for leadership of the emerging reform coalition Saakashvili was able to consolidate his position through the charismatic leadership of mass protests of the falsified election results. Saakashvili also continued to draw on a strategy of personally attracting followers by means of charismatic appeals, as was the case when he visited the western city of Zugdidi to organize a march on Tbilisi to force the resignation of Shevardnadze.[254] Following the march, Saakashvili and his supporters stormed the parliament building, interrupting a speech by Shevardnadze to open the new, illegitimate session of parliament. The state security forces declined to use force against the protestors, and Shevardnadze fled, resigning the next day on November 23. Following the resignation of Shevardnadze in late November 2003, the Supreme Court annulled the results of the November 2 elections, and new elections for president and parliament were called for January and March 2004, respectively.[255]

Through this process, Saakashvili's National Movement managed to solve the dilemma of coordination that Yushchenko's Our Ukraine could not. With a basis for

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[254] "Saakashvili in Zugdidi, Prepares for March on Tbilisi," *Civil Georgia,* 11/19/03.

[255] Perhaps the best, most complete overview of the Rose Revolution, accounting for elite politics, social movements and NGO efforts, and international influences, is Mitchell (2008).

support in externally mobilized constituencies, largely based on ideological affinities between Saakashvili and local activists, these constituencies acted as a "latent group" in terms of the theoretical framework. With a power base independent of other political elites, elites both within the NM and in other Rose coalition parties could not credibly pursue individual economic or political interests at the expense of the collective goals of the party. Indeed, during the the 2003 parliamentary campaign, including the Rose Revolution, Saakashvili and the UNM did attract the support of large financial interests and local political patrons. Most notably, Georgian businessman Badri Patarkatsishvili, having cut a deal with Shevardnadze to return to Georgia to avoid prosecution in Russia, shifted support from Shevardnadze to Saakashvili following the Rose Revolution. If any figure in Georgia was in a position to capture the state in 2003, it would have been Patarkatsishvili, with a personal fortune made in Russia that eclipsed the entire Georgian state budget.[256] However, Saakashvili and the UNM won elections primarily on the efforts of externally mobilized constituencies, and without the backing of large financial interests. The party was therefore able to check attempts by elites like Patarkatsishvili to use the state to advance individual interests. By 2006, Patarkatsishvili moved into opposition as Saakashvili's anticorruption program increasingly infringed on his business interests.[257] In terms of the theoretical framework, the coordination of economic elites

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[256] "Badri Patarkatsishvili: From Russian Businessman To Georgian Presidential Claimant (part One)." *The Jamestown Foundation*. Accessed May 23, 2015. http://www.jamestown.org/single/?tx_ttnews%5Bswords%5D=8fd5893941d69d0be3f378576261ae3e&tx_ttnews%5Bany_of_the_words%5D=Badri%20Patarkatsishvili&tx_ttnews%5Bpointer%5D=2&tx_ttnews%5Btt_news%5D=33266&tx_ttnews%5BbackPid%5D=7&cHash=97bad3f3b642af89a107fad9eff47bf5.

[257] Ibid.

around Saakashvili and the UNM occurred at later stages of the reform process.[258] The incorporation of externally mobilized constituencies at earlier stages created a party centered on a latent group with an interest and capacity to check attempts at state capture by elites that tried to join the coalition at later stages. In short, opposition elites coordinated around Saakashvili in the UNM because he could win elections with an independent power base, and in turn, this independent base largely limited elites' capacity to pursue strictly individual interests.

The Rose Revolution and Institutional Consolidation

The Rose Revolution produced a clear balance of power in favor of Saakasvhili and the National Movement. Saakashvili's charismatic leadership of the protest movement, combined with his base of support in a relatively coherent party based on newly mobilized constituencies made him the clear choice to run as the unified candidate in the ensuing election to the presidency vacated by Shevardnadze. In fact, running unopposed in the January 2004 elections, Saakashvili received over 96% of the popular vote.[259] His overwhelming victory spurred another round of coordination, in which the NM and the Burjanadze-Democrats, along with the Republican Party,[260] agreed to run on

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[258] This process included not just oligarchs like Patarkatsishvili, but regional political patrons and local strongmen, many of whom Shevardnadze previously relied upon to maintain stability in Georgia.

[259] Contrast this to Yushchenko's victory in the 2004 presidential election in Ukraine, which required two rounds, including a re-run of the second round, with Yushchenko winning just over half of the popular vote.

[260] An established center-right liberal party with significant overlap with the National Movement in terms of personnel and constituency prior to 2004. The Republicans left the joint electoral bloc in 2004 over the adoption of constitutional amendments that concentrated power in the presidency Scholtbach and Nodia (2007).

a unified electoral list for the March 2004 parliamentary election. The resulting United Movement-Democrats dominated the elections, winning over 66 percent of the vote. The combination of a popular president, the UNM, and the lack of any significant opposition in parliament allowed Saakashvili to push through a round of constitutional reforms significantly empowering the presidency at the expense of the parliament and prime minister.

This constitutional reform facilitated Saakashvili's reforms in two ways. First, the powerful single-executive system provided a focal point for elites and public sector employees. With no viable institutional mechanism to balance the presidency, both elites and public sector employees depended on Saakashvili and the NM for policy influence or access to resources. Second, the single executive and the subordination of parliament created relative cabinet stability and long electoral timelines. While cabinet rotations were common following the Rose Revolution, Saakashvili dominated the appointment process, ensuring that high level officials were drawn from NM's main constituent groups. The combination of these mechanisms effectively insulated Saakashvili's team from political competition, allowing Saakashvili to credibly commit to reforms.

Georgia's Single Executive Constitutional Reform

First, the February 2004 constitutional reforms effectively granted appointment powers to the president by subordinating the parliament, government, and prime minister.

The control of appointments ensured that both elites and public sector employees perceived that Saakashvili and the NNM would control personnel decisions going forward. Recall that in Ukraine, a pre-election appointment protocol, and the adoption of a dual-executive constitution provided unique appointment powers to competing elites, therefore incentivizing the use of positions as patronage. In contrast, the relatively coordinated reform coalition in Georgia selected a dominant single executive in the presidency following the Rose Revolution. With limited appointment powers available to potential rivals, Saakashvili was free to draw on UNM's main constituencies and political outsiders for ministerial appointments and to staff higher level positions in the state administration.

Indeed, NM's basis in externally mobilized constituencies acted as a check on the use of state offices as bargaining chips electoral alliances prior to the Rose Revolution. Saakashvili's political base was largely independent of entrenched elites. The UNM success in the 2003 parliamentary elections outstripped public opinion polling, and the party's more grassroots strategy allowed it to contest the election without Saakasvhili bargaining over post-election outcomes, specifically appointments, with Zhvania and Burjanadze.

During the Rose Revolution itself, Saakashvili's independent base of support in the UNM allowed him to take a more radical track than his opposition counterparts, pushing for the outright resignation of Shevardnadze himself. Following Saakashvili's

storming of parliament, Shevardnadze fled, negating any necessity to reach a negotiated settlement to the Rose Revolution. The process therefore eliminated Shevardnadze and marginalized the remnants of the CUG, resulting in the relatively free rein for the Rose coalition in setting the institutional agenda.[261] This process was another clear point of contrast with Ukraine, where the constitutional framework was the result of pre-election bargaining among opposition rivals on one hand, and of concessions extracted by the relatively powerful Party of Regions as part of the settlement that resolved the Orange Revolution.

This lack of any organized opposition to the new reform team allowed Saakashvili to force through a package of constitutional reforms that significantly increased the formal powers of the presidency. The constitutional reforms were introduced, debated, and passed in parliament within three weeks of Saakasvhili taking office in February, without input from the public (Mitchell 2008, 80). Specifically, the amendments reintroduced the office of prime minister, but subordinated its role, and that of the parliament, to the president. Under the new constitution, the president appointed the prime minister and cabinet, and could dismiss parliament if it rejected the president's budget proposal three times. In this context, the prime minister served largely the function of coordinating the work of ministers, and lacked any real independent formal power. The new constitution further reduced the power of the parliament, which had no formal input in the appointment of the prime minister or government. Finally, the

[261] Mitchell (2008, 80) mentions reports of coercion of parliamentarians, including threats of criminal prosecution.

president retained many of the powers of the office under the 1996 law on local self government, including the power of appointment of mayors and local administrations and judges.[262] The 2004 constitution, therefore, further empowered a presidency that was already formally strong relative to the parliament and government.[263]

In this sense, where in Ukraine the phase of institutional selection crystalized a state of electoral competition between opposition rivals, and provided little information about which associated clientelistic network was stronger, the Rose Revolution produced a set of constitutional reforms that consolidated power in the presidency inhabited by Saakashvili. In Hale's (2011) terms, this single-executive framework provided a strong information effect, indicating to political and economic elites that Saakashvili and the UNM would dominate access to state resources, including appointments, moving forward. This information effect spurred yet another round of coordination at two levels. First, Saakasvhili's National Movement and Zhvania's United Democrats formally merged, taking the name "United National Movement (UNM) in November 2004, perhaps out of a desire among Zhvania's associates to maintain influence and access to state positions in a system where policy and appointments were dominated by the president. Second, given Saakashvili's dominant performance in the 2004 presidential election, the information effect of the empowered presidency, and the merger of the

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[262] This discussion is taken largely from Mitchell (2008, 79-81).

[263] Georgia's 2004 constitution contrasts significantly with the constitutional changes agreed to in Ukraine during the Orange Revolution. Recall that the Orange Revolution resulted in a compromise that empowered the prime minister relative to the president, especially in terms of cabinet-level appointments.

parties of the president and the prime minister, several politically "independent" MPs elected in single-member districts defected to NM in order to maintain access to state resources from the center[264] These SMD MPs represented a separate power base within the UNM that pursued a more politically instrumental agenda. That is, they joined UNM not out of principle or ideological affinity, but out of self-interest; UNM membership would clearly be the clearest path to securing resources for their personal or regional constituencies moving forward.

Cabinet Stability and Elections

The subordination of parliament and the prime minister to the president in the 2004 constitutional reforms eliminated uncertainty associated with cabinet instability and frequent elections, facilitating Saakasvhili's credible commitment to reforms. The resignation of Shevardnadze allowed the Rose coalition to undertake presidential elections immediately following the disputed 2003 parliamentary elections, meaning Saakashvili's presidential terms would not be interrupted by midterm elections in which the parliament or prime minister might be replaced. Indeed, the next national elections were held in 2008, giving Saakashvili four years in which to conduct reforms. Furthermore, given the subordination of the parliament and prime minister to the president, and the lack of clear formal rules distinguishing spheres of influence between

[264] Gotua and Svanidze (2013) analyzes one example of a local patron that voluntarily defected to UNM. This account contrasts with Timm (2010), who demonstrates that the UNM actively co-opted local elites using inducements and coercion in other municipalities. Of course, both are possible, and it is likely that the coordination around the UNM was both voluntary and coercive at different times and locations.

the two,[265] the UNM party, rather than the state itself, became the arena for contestation between its three main constituencies—the UNM grassroots activists, the reformist political elites associated with the personal networks of Saakashvili, Zhvania, and Burjanadze, and the majoritarian MPs. These distinctions manifested in intra-party conflicts, or in conflicts between party members and appointees from outside the party, but generally did not devolve into the use of state positions for economic gain.

First, the relative cabinet stability in Georgia facilitated Saakashvili and the UNM's credible commitment to reforms. Certainly, Saakashvili's first term, in which the most significant public sector reform programs were implemented, was characterized by several cabinet rotations. However, these rotations differed from cabinet turnover in Ukraine in crucial respects. Most importantly, cabinet positions in Georgia were rotated among members of the same basic constituency, eliminating the bargaining and infighting over cabinet positions that characterized Ukraine. These rotations were often driven by necessity and a lack of qualified personnel.[266] Ministerial staff were therefore rotated to

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[265] Author interview with Medea Akhalkatsi, Dean, School of Government, Georgia Institute of Public Affairs, Fmr. Communications Advisor and Head of Press Service for President Saakashvili, Tbilisi, Georgia, 11/08/2013.

[266] Author interview with Ekaterine Tkeshelashvili, Tbilisi, Georgia, 11/05/2013. The first major cabinet rotation, for example, was driven by a contingency—the death of prime minister Zurab Zhvania. Saakashvili shifted Finance Minister Nogaideli into the prime minister, and rotated existing ministers into new roles. The official account concluded Zhvania and an associate died of carbon monoxide poisoning from a gas heater. The UNM's political opponents have alleged Zhvania was murdered and accused leading UNM figures, including Saakasvhili himself, as complicit either in a coverup or the actual murder. The Georgian Dream government, after winning the 2012 parliamentary elections, has reopened the investigation. Mitchell (2008, 83) notes that Zhvania's death removed all remaining checks on Saakashvili's power. Certainly Zhvania previously acted as a moderate balance to Saakashvili's more radical tactics, even under Shevardnadze and through the Rose Revolution. However, by the time of his death, Zhvania's United Democrats party had merged with the National Movement. In this sense, Zhvania might have acted as a moderating influence within the party, but exercised relatively little formal power as prime minister. Mitchell (2008, 84), for example, notes that Zhvania could have acted as a check on Saakashvili and the UNM through sheer force of personality and reputation.

bring new agencies up to speed with those that already achieved some reform success.[267] In large part, the same personnel simply rotated to new positions. In this sense, cabinet level positions were not tools of competing executives. Appointments were controlled by the same executive and allotted to the same constituency, reducing the need to use appointments to cabinet and managerial positions as political patronage.

Conflicts between the constituent groups associated with Saakasvhili's administration also spurred rotations. One early example of intra-party conflict in the UNM resulting in a cabinet rotation was Prime Minister Zurab Nogaideli's sacking of Foreign Minister Salome Zurabishvili, who previously expressed discontent over the issue of diplomats reporting to parliamentary committees controlled by the UNM rather than to the her directly.[268] This sort of conflict between UNM party members and apolitical mangers in the state administration also affected lower level staffing positions. Medea Akhalkatsi, for example, noted that after taking a position as head of the president's press service, she felt distrusted by the UNM party members that staffed the

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[267] Author interview with Ekaterine Tkeshelashvili, Tbilisi, Georgia, 11/05/2013.

[268] Author interview with Medea Akhalkatsi, Tbilisi, Georgia, 11/08/2013. In a statement, Nogaideli presented the government's side of the story: "We, including me and the President, had consultations regarding this issue today, all through the day. We have a very successful foreign policy course and this is thanks to the President, the government and our political team. Despite this fact, yesterday, the Parliament voiced very serious discontent regarding the leader of the Foreign Ministry, involving violations persisting in the Ministry. These discontents also involved giving preferences to relatives in staff policy, also a failure to fully implement some very important initiatives; also disrespect towards the Parliament and disrespect towards the democratic process, which of course, is inadmissible.", "Foreign Minister Zourabichvili Sacked," *Civil Georgia*, 10/19/2005 [http://www.civil.ge/eng/article.php?id=11000] accessed 05/16/2015. Nogaideli's interpretation tends to support my theoretical interpretation of Georgia's reforms, in that it seems to present a principled core of UNM in the parliament acting as a check on nepotism by a self-interested minister. However, given that Zurabishvili was French-born and a French citizen, and appointed from entirely outside the Georgian political establishment, it seems unlikely she was any more inclined to nepotism or patronage than other members of the cabinet. In any case, the evidence is insufficient to adjudicate between these interpretations.

agency.[269] Another respondent, wishing to remain anonymous, noted that Saakashvili personally intervened to protect from dismissal a UNM party member who was not qualified for the position in question.[270] These perspectives certainly suggest that the UNM was as much a patronage machine as a reform party. However, it also suggests a clear sense of party identification and loyalty among grassroots activists, a clear distinction from Yushchenko's Our Ukraine, mainly a virtual umbrella for elite interests.

Furthermore, while these rotations would seem to produce the same sort of instability that impeded reform efforts in the Ukrainian context, the drawing of appointees from the same constituencies ensured a sense of continuity. Furthermore, officials at the deputy level and professional managers within the bureaucracy tended to maintain their positions, and were able to continue the technical implementation of government directives, even under different political principals.[271]

Second, the long electoral timelines enjoyed by the incoming administration facilitated its credible commitment to reforms. In contrast, the incoming Orange coalition in Ukraine was forced to operate two transitional governments under Tymoshenko and subsequently Yekhanurov, prior to the new parliamentary elections within 18 months of the Orange Revolution. While this short timeline was bad luck in one sense, the

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[269] Author interview with Medea Akhalkatsi, Tbilisi, Georgia, 11/08/2013.

[270] In principle, this sort of protection was corroborated by off-the-record background conversations that suggested at least some state organs were used to provide employment for UNM activists.

[271] Batu Kutelia, interview with Matthew Devlin, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Washington, DC, 04/15/2009;

comparison with Georgia illustrates that the electoral environment is endogenous to the character of the incoming coalition. In Ukraine, the Orange coalition was fractious, led by competing opposition elites without cohesive political parties. With no underlying organizational coordination, elites had no incentive to agree to early parliamentary elections. In Georgia, on the other hand, a relatively coordinated opposition centered on Saakasvhili and his externally mobilized base of support in the National Movement was able to push for the ouster of president Shevardnadze and call new presidential elections within two months of the parliamentary elections that sparked the Rose Revolution, and new parliamentary elections two months after that. Saakashvili's overwhelming mandate in that ensuing presidential election ensured four years of political insulation for the presidency, parliament, and government. With no imminent electoral pressures, Saakasvhili and the UNM were free to abandon the use of high level positions for patronage purposes, instead appointing personnel that could carry out their reform agenda.

Stage 4: Governing

Therefore, the early decision of Saakashvili to build his opposition party through externally mobilized constituencies, and without recourse to national or local political elites, facilitated a process of coordination around the National Movement that allowed the party to create an institutional framework that allowed it to govern without immediate concern for electoral pressures. In this sense, the National Movement as an externally mobilized party exerted exogenous effects on the reform process by allowing the

appointment of meritocratic personnel to political and civil service positions, and through prioritizing public goods over political clientelism. While political clientelism was still a central part of the UNM's political strategy, especially at the local level, the party was able to subordinate individual rent-seeking to its larger reform program.

Appointment Strategy

Having adopted political institutions that served to insulate the new authorities for political competition, and therefore with no need to use state positions to reward key supporters or punish defectors, Saakashvili was able to make appointments that were effectively apolitical. Upon taking power, in addition to Saakashvili's and Zhvania's associates from the reform wing of the CUG, Saakasvhili's administration drew heavily on two external groups to staff higher level positions in the state administration—the nongovernmental sector and international donor community, including the leadership of the Liberty Institute and Kmara! activists, and the Georgian diaspora. In many cases, where the administration appointed managers with previous experience in government, that previous employment tended to be in positions without associated opportunities for corruption.[272]

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[272] Interviews indicated that personnel tended to self-select into state agencies according to their prior propensity for rent-seeking. Eka Tkeshelashvili, for example, prior to accepting a position in the Saakashvili administration, worked in a think tank associated with the foreign ministry run by noted Georgian foreign affairs expert Alexander Rondeli (Personal Interview, 11/05/2013, Tbilisi, Georgia). Lily Begiashvili described the ministries before 2003 as a "dark area," and related that she chose to work in parliament because she did not want to take part in corrupt behavior (Author interview with Lily Begiashvili, Tbilisi, Georgia, 11/26/2013). Naturally, these assessments are subject to some bias—Tkeshelashvili (Princeton ISS, 2009) herself notes that some police were known not to engage in corruption. So likely not all of the police joined the agency because they enjoyed shaking down motorists for bribes. Any bias, however, should not detract from the central point, which is that qualified personnel with a strong preference for honesty seeking jobs in the state administration tended to join departments in which there were no opportunities for predation. These agencies were sources of recruitment for Saakashvili's incoming administration.

First, local NGOs and international donor organizations served as a central recruiting pool for the incoming administration (Grodsky 2012). Practically all of the central leadership of the Liberty Institute, and several leading *Kmara!* activists joined the state administration as a Saakashvili appointee or a UNM member. Indeed, much of the core of the UNM membership was drawn from the Liberty Institute, including Ivane (Vano) Merabishvili,[273] influential MPs David Zurabishvili,[274] Giga Bokeria,[275] Giorgi Kandelaki and Givi Targamadze, and Gigi Ugulava.[276] Saakashvili also drew heavily on the larger NGO community, including international donor organizations, to staff his administration.[277] Ekaterine Tkeshelashvili, example, accepted a job as Deputy Minister of Justice after working as a chief of party for a USAID democracy and governance program.[278] She would go on to serve in several minister-level positions, including the Minister of Justice and Minister of Foreign Affairs. In Saakashvili's cabinet in November

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[273] Minister of Internal Affairs (2004-2012), who presided over Georgia's police reforms and the heavy-handed enforcement of Saakachvili's anticorruption program, especially against organized crime groups.

[274] In 2005, Zurabishvili moved into opposition over Saakashvili's increasing concentration of power (Kupchan, Charles, "Wilted Rose," *The New Republic*, 02/06/2006).

[275] Later Secretary of the National Security Council.

[276] Appointed Mayor of Tbilisi in 2005.

[277] Author interview with Ekaterine Tkeshelashvili, Tbilisi, Georgia, 11/05/2013.

[278] Ibid.

2004,[279] only five had served in Shevardnadze's government at the ministerial or deputy level, while eight previously worked for NGOs or international donor organizations.[280]

Second, Saakashvili drew heavily on the Georgian diaspora for appointments to high level state positions. Most notably, as prime minister, Zhvania recruited Kakha Bendukidze, a billionaire oligarch with strong libertarian leanings, to serve as economy minister.[281] Notably, Bendukidze made his fortune in Russia, and was not previously part of the Georgian political establishment. In this sense, he did not compete with elites with economic interests in Georgia, and therefore had no interest in using the state administration to advance his own personal economic interests. By many accounts, Bendukidze was the central figure in Georgia's reforms, drawing on a libertarian ideology to advocate privatization, minimal state interference in the economy, and a state administration modeled on New Zealand's right-leaning new public management approach.[282] Indeed, as economy minister and later state minister for reforms coordination, Bendukidze loosely coordinated the reforms process, providing ideological guidance while individual ministers were left with the discretion to conduct reforms as they saw fit.[283]

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[279] The cabinet was composed of 20 positions.

[280] Wheatley (2005, 200), quoted in Scholtbach and Nodia (2007, 82).

[281] Bendukidze later rotated to positions as State Minister Of Reforms Coordination, and later the State Chancellery.

[282] Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013. Very generally, the new public management approach advocates a minimal and decentralized state administration, with civil servants employed by temporary contracts, instead of taking career positions.

[283] Ibid.

This constituency of the Saakashvili administration, composed of largely apolitical managers associated with Bendukidze, including interview respondents Vakhtang Lezhava and Lily Begiashvili, were not UNM party members, and had minimal personal and professional links to the party.[284] Notably, the appointment of members of this cohort to important ministerial, ad hoc state ministerial, and deputy-level positions represents a clear contrast with Ukraine, where important posts were allocated to party supporters following the Orange Revolution.

The administration also recruited from the diaspora qualified personnel to staff upper level positions,[285] often by making appeals in person. Saakashvili, for example, requested the CV of Medea Akhalkatsi after she interviewed him as a journalist at a conference in Israel. She was eventually hired as head of Saakasvhili's press service. Similarly, Zhvania personally recruited Akhalktasi's sister in Washington, DC, who declined.[286] The incoming administration also drew on the diaspora for minister-level positions. Saakashvili, for example, nominated Salome Zurabishvili, a French-born Georgian serving as the French Ambassador to Georgia, as foreign minister in 2004.

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[284] Author interview with Lily Begiashvili, Tbilisi, Georgia, 11/26/2013.

[285] Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013.

[286] Author interview with Medea Akhalkatsi, Tbilisi, Georgia, 11/08/2013.

Appointments outside of traditional elites ensured a relatively coherent reform process, even if the process of policy making was formally decentralized and ad hoc. These appointments were possible because of Saakachvili's early party-building strategy the depended on the mobilization of external constituencies. Had the UNM depended on the electoral and administrative resources of existing patrons, those patrons would likely depend on access to state positions, using them in turn to compete with other elites in the same coalition, as was the case in Ukraine.

The Policy Agenda

The electoral insulation for Saakashvili and the UNM guaranteed by the single executive constitution allowed the president and the government to focus on long term benefits at the risk of short term drops in popularity. In this sense, the process of the emergence of the UNM and institutional consolidation during the Rose Revolution mitigated Saakashvili's politician's dilemma and facilitated credible commitment to reforms.

The relative coherence of the main constituencies centered on Saakashvili and the UNM was evident in the reforms process. Anticorruption reform was the flagship policy of the new government, and this commitment to public sector reform was shared by all of the constituencies within the government, even in the absence of formal institutional mechanisms for coordination.

The cabinet served as the central policy-making body in the reform process, and Bendukidze served as both the ideological and procedural coordinator of reforms for the cabinet.[287] In order to carry out basic reforms as quickly as possible, the cabinet operated initially by consensus, eliminating agencies or initiating personnel cuts where there was no strong objection from individual cabinet members.[288] Bendukidze also gave individual ministers discretion to implement reforms as they saw fit, as long as they were consistent with the general ethos of the government.[289] Bendukidze recalled a mantra adopted by the government: "each state job is worth five private sector jobs."[290] Much as Shevardnadze created a permissive environment for corruption, Bendukidze created an environment for reform, rather than dictating initiatives from the president. To paraphrase Bendukidze's deputy Vakhtang Lejava,

> "It was coordinated, but not in the way people think. It was not technically coordinated. But it was coordinated in terms of having a clear goal and a clear mission. The reforms were successful in some cases, but not others. For example, the public registries were very successful, and they became models for other reforms. So they were coordinated in this way."

This notion of coordination in terms of goals and ideas was reflected by other interview respondents, who often conveyed a sense of the new reform officials being on the same page as far as ideas and goals, if not specific policies.

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[287] Author interview with Kakha Bendukidze, Tbilisi, Georgia, 12/10/2013. Bendukidze indicated parliament was involved where budgetary matters were concerned, but that the cabinet, the president's chief of staff, and occasionally the president took part in reform decisions.

[288] Ibid.

[289] Ibid.

[290] The implication, consistent with Bendukidze's libertarian ideology, was that reductions in the size of the public sector would produce greater growth in private sector jobs.

Crucially, this general commitment to reform ideas and the discretion granted to individual ministers allowed these relatively apolitical appointments to implement their own policies in their respective agencies. While larger organizational decisions were taken by the cabinet, several ministers undertook their own initiatives to implement meritocratic human resource practices,[291] to adopt their own innovations, and to engage in their own monitoring of employees.[292] Since the ministers were largely apolitical, and since neither Saakashvili nor the UNM faced significant electoral pressure, ministers were not willing or able to use their appointments to advance their individual political or economic interests.[293]

This tradeoff of short term popularity for long term benefits expressed itself not just in the early dramatic anticorruption reforms, but in ancillary policies geared towards public goods provision. The government, for example, often implemented large scale

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[291] This autonomy ensured that these efforts were also unstandardized across the state administration.

[292] Examples from author interviews included Gabashvili at the education ministry and Tkeshelashvili at the justice ministry. The latter reported that she still had friends and family who refused to talk to her because she would not give them a job. See also Jaba Ebanoidze, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], 05/04/2009, Tbilisi, Georgia.

[293] Of course, there were some notable exceptions. Bendukidze identified the health ministry as particularly difficult to reform. Saakashvili's ministerial appointment attempt to install a UNM figure in the ministry to implement reforms, but he was subsequently "captured" by interest groups within the ministry, who apparently had strong links to opposition groups within the parliament. Author interview with Kakha Bendukidze, Tbilisi, Georgia, 12/10/2013.

neighborhood repairs or beautification projects[294] with no consideration for the inconvenience caused to residents.[295]

Conflicts between the groups associated with Saakashvili also manifested in the policy making process. One example of this conflict in the reforms context was the dispute over which model of civil service employment to adopt. Bendukidze and the Civil Service Bureau, representing the relatively apolitical technocratic managers, advocated a new public management model based on contract employment, while UNM parliamentary deputies pressed for a career employment model with regular salary, benefits, and pensions.[296] The stalemate resulted in no concrete development of a civil service model, contributing Georgia's ongoing inability to standardize human resource practices across the public sector.

More specifically with respect to the tradeoff between public goods like reform, and individual and club goods like social transfers, moderates within Saakasvhili's administration advised that Bendukidze's radical, right-leaning reform program was too radical, and that the government should cushion the shock with increased social spending.[297] Early in Saakasvhili's first term, without impending electoral pressure, these

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[294] Much to the chagrin of the libertarian-leaning Bendukidze (Author interview with Kakha Bendukidze, Tbilisi, Georgia, 12/10/2013).

[295] Author interview with Medea Akhalkatsi, Tbilisi, Georgia, 11/08/2013.

[296] Author interview with Nino Dolidze, Tbilisi, Georgia, 11/18/2013.

[297] Author interview with Lily Begiashvili, Tbilisi, Georgia, 11/26/2013.

moderate constituencies were effectively sidelined, and the government pursued a neoliberal reform program more in line with the libertarian leanings of Bendukidze and the Liberty Institute cohort. The early strategy of the Saakasvhili administration was to promote privatization, trade openness, reduction in both the size and scope of the public sector, and the elimination of taxes, government regulation, and licensing of businesses.[298] According to Begiashvili, this economic growth strategy was clearly articulated within UNM, but was not necessarily articulated to other segments of the population.[299]

Finally, Bendukidze's cohort of reformers and the cabinet faced opposition to reforms from the parliament, including from within the UNM itself. However, the externally mobilized constituencies around which the party was originally based served as a check to parliamentarians efforts to maintain the private benefits of public positions. Bendukidze identified political opposition as the biggest obstacle to reforms.[300] Specifically, interest groups or business people that controlled monopolies protected by preferential licensing lobbied personal or professional associates in parliament. In turn, MPs, including UNM members, would use a variety of resources, ranging from

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[298] Author interview with Lily Begiashvili, Tbilisi, Georgia, 11/26/2013. Georgia was named the top reformer in the World Bank's Ease of Doing Business Index in 2006 (The World Bank and the International Finance Corporation, "Doing Business in 2006: Creating Jobs," 2006 [http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB06-FullReport.pdf] accessed 05/18/2015. Since 2006, Georgia has consistently ranked among the easiest places in the world to do business according to the World Bank index, peaking at a rank of 8 in 2014.

[299] Author interview with Lily Begiashvili, Tbilisi, Georgia, 11/26/2013.

[300] Author interview with Kakha Bendukidze, Tbilisi, Georgia, 12/10/2013.

nationalist or ethnic rhetoric and appeals to public support to procedural manipulation, and clientelistic methods to build coalitions of opposition to specific reform efforts.[301] Here, we see Saakashvili's early party building strategy begin to exert exogenous effects on the reform process. The UNM served to subordinate constituencies in the parliament that might otherwise be inclined to manipulate state resources to serve individual interests. Indeed, Saakashvili's party dominated the parliament after the death of Zhvania, with UNM parliamentarian Giga Bokeria, previously a leading figure in the Liberty Institute and *Kmara!*, acting as a party whip to maintain a majority coalition around major reform initiatives from the cabinet that might otherwise alienate more narrow constituencies within the party and parliament.[302]

Of course, the UNM did not abandon political patronage and targeted goods provision that is the hallmark of political clientelism. Especially as new elections approached in 2008, Saakashvili and the UNM campaigned using promises of targeted social spending, just as the Orange coalition parties in Ukraine did in the lead-up to the 2006 parliamentary elections. Opponents of the UNM also allege that Saakashvili and the party used state administrative resources to manipulate elections in the same way that

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[301] Ibid. Bendukidze did not explicitly mention the use vote buying or blackmail to build opposition coalitions, as was common in Ukraine under Kuchma and Yushchenko. He did, however, strongly imply that interest groups used inducements to attract the support individual MPs, and that the government responded with similar tactics to peel individual MPs off of the opposition coalition.

[302] 2005. "GEORGIA: Government Struggles to Maintain Stability." Oxford, United Kingdom: Oxford Analytica Ltd.

Shevardnadze did in 2003.[303] Some of these allegations were substantiated by independent local NGOs, as was the case when Transparency International Georgia catalogued incidents of public sector employees fired for support of the opposition prior to the 2012 parliamentary election.

Chapter 4 Conclusion

In conclusion, the success of Georgia's public sector reforms relative to Ukraine's resulted from a contingent process beginning with emerging reformer Mikheil Saakasvhili's decision to build an opposition party by mobilizing constituencies previously excluded from Georgia's political space. In contrast to Viktor Yushchenko in Ukraine, whose Our Ukraine party served as an umbrella electoral bloc for existing clientelistic political parties, Saakashvili built his National Movement by drawing on appeals to the Georgian NGO and international donor communities, as well as lower-middle class, rural constituencies, especially in Georgia's regions. Using ideological and charismatic appeals to radicalize Georgian politics, Saakashvili was able to gain immediate electoral success without relying on existing political and economic patrons, who gravitated to his party only much later in the reform process. This early electoral success allowed Saakashvili and the National Movement to coordinate reform elites during the Rose Revolution, forcing the resignation of Shevardnadze, and adopting a

[303] Zurab Nogaideli, interview with Andrew Schalwyk, Princeton University Innovations for Successful Societies Oral History Program [http://successfulsocieties.princeton.edu/], Tbilisi, Georgia, 04/28/2009.

package of constitutional reforms that further empowered a strong presidency, taken over by Saakashvili, at the expense of parliament, spurring a merger of the major opposition parties in to the United National Movement

This concentration of formal power in the presidency allowed Saakasvhili and the UNM to credibly commit to reforms. Formally insulated from electoral pressures, and clearly controlling state administrative resources, including appointments at all levels of the administration, Saakasvhili and the UNM were able to make meritocratic appointments at the national level, and prioritize public goods at the expense of clientelistic politics, at least initially. Saakasvhili drew primarily on his reform associates and figures associated with NGOs, international donors, and the Georgian diaspora to staff ministerial and deputy level positions. These managers, in turn, attempt to introduce human resource reforms in those respective agencies, although discretion in these policies made reforms uneven between agencies. Furthermore, a coordinated cabinet led by reformer Kakha Bendukidze prioritized the de-privatization of public sector positions, including large scale staff reductions, and the enforcement of anticorruption regulations. While the UNM eventually attracted defections from local actors with an interest in securing access to state resources from the center, and who did not share an ideological affinity with the UNM's core constituencies, the party was able to subordinate these individual interests to the larger reform goals of the party. In short, through the mobilization of external constituencies to form an opposition party at early stages,

Saakasvhili was able to overcome Georgia's inherent politicians dilemma to credibly commit to reforms once he assumed power.

Chapter 5: Ukraine 2010-2015

Introduction

By the end of Viktor Yushchenko's first presidential term in 2010, the political infighting between his camp and the team of former partner Yulia Tymoshenko, and the resulting failure of the Orange Revolution reform project had destroyed his popularity with voters. In the first round of the 2010 presidential election, Yushchenko finished in fifth place with less than 6% of the vote, while Tymoshenko and Viktor Yanukovych, Yushchenko's opponent in the 2004 election, moved into the second round, with neither winning a majority of votes. In the second round, Yanukovych defeated Tymoshenko with the support of the Party of Regions political base in eastern and southern Ukraine.[304]

However, in February 2014, a year before the end of his first presidential term, the Euromaidan protest movement deposed Yanukovych, who had become Ukraine's most authoritarian and kleptocratic post-independence president. The protest movement emerged in November of 2013 in opposition to Yanukovych's unilateral decision to back out of a long-planned Association Agreement with the European Union in order to pursue a trade agreement with Russia. After several rounds of regime crackdowns and protest escalations, the protests culminated in clashes between police and protestors that left dozens dead and hundreds injured, many at the hands of government snipers. Following a

[304] Both rounds of the election were generally regarded as relatively free and fair. At least one academic forensic study found no significant evidence of fraud (Lukinova, Myagkov, and Ordeshook 2011).

political agreement on February 21, Yanukovych fled the country, and Ukraine's security services, including the *Berkut* riot police responsible for the crackdowns on the protestors, vacated their posts, apparently in response to threats of an armed coup from radical protest leaders.

The subsequent impeachment of Yanukovych provided Ukraine with another chance to reform its notoriously corrupt public sector. While evaluating an ongoing reform process is necessarily difficult, I characterize reform outcomes in the first 16 months[305] following Yanukovych's removal as treading a middle ground between the success of Georgia's reforms, and the failure of Ukraine's Orange coalition reform program. Most notably, President Petro Poroshenko and the reform coalition in parliament led by Prime Minister Arseniy Yatsenyuk have taken some steps to de-privatize state positions, with a focus on dismissing corrupt state employees, and some limited enforcement of anticorruption laws and regulations. The government has also taken some preliminary steps to reduce preferential licensing, regulation, and procurement. As of yet, there has been no real effort to introduce systematic human resource reform. These steps represent an improvement over reform outputs following the Orange Revolution, but clearly have not yet approached the dramatic reforms of Saakashvili in Georgia.

[305] As of writing in June 2015.

I argue that these middling outcomes are the result of a process in which emerging reform constituencies have been able to facilitate the temporary commitment of politicians to reform, although the dominant parties are still essentially clientelistic, and engaged in longer term patterns of clientelistic political competition. In particular, the institutional framework adopted after the Euromaidan protests contributes to this state of political competition, even between ostensible reform parties. While the reformers are temporarily isolated from national electoral competition, and have been able to make some meritocratic appointments and public goods commitments as a result, in anticipation of another electoral cycle, elites will be reticent to abandon the use of state positions as patronage in the absence of a credible commitment by other elites to do the same.

Again, I trace the development of this reform process through four stages, beginning with a set of initial conditions under Yanukovych that closely resembled those under Kuchma in Ukraine prior to 2004, and under Shevardnadze in Georgia prior to 2003. Through this process, I focus specifically on the three largest parties in the current parliament—the Bloc of Petro Poroshenko, the Popular Front party headed by Prime Minister Arseniy Yatsenyuk, and the *Samopomich* Union led by Lviv Mayor Andriy Sadovyi—arguing that some mobilization of external constituencies in the party building process has facilitated elites' commitment to reforms. However, competing reform parties agreed to revert to Ukraine's 2006 constitution, returning to a state of political competition between allies that impedes this commitment. In doing so, I focus on three

central variables in comparison to the Orange Revolution and Georgian reform processes —reformers' party building strategies, the adoption of a constitutional framework, and appointments and policy making.

Assessing Public Sector Reform after Euromaidan

Following the Euromaidan protests, President Petro Porshenko and the government of Prime Minister Arseniy Yatsenyuk have made incremental progress in public sector reform outputs, making some improvement over the efforts of the Orange Coalition, but not yet achieving the success of Saakashvili in Georgia, even on a similar timeline. Given the failure of the Orange coalition reform project, the degree of privatization of state positions under Yanukovych largely resembled that under Kuchma. If anything, Yanukovych's ascendency to the presidency in 2010 represented a redistribution of the private benefits of public sector position, with those benefits increasingly concentrated in the hands of Yanukovych, his extended family, and elites associated with the Donestk clan. Indeed, public sector positions were largely instruments of private gain. Positions were awarded according to personal and political loyalty, formal anticorruption regulations were not enforced, and preferential licensing, regulation, and procurement were central tools with which to reward political allies.

Following Euromaidan, various state agencies have undertaken piecemeal human resource reforms, with some meritocratic managers taking steps to implement hiring based on qualifications or examinations. Similarly, some state agencies have already implemented significant staff cuts in concert with wage and benefit increases, although there has been no coordinated effort to reduce staff across the government at the ministerial level, or among local state administrations. Likewise, enforcement of anticorruption regulation has been uneven, with some higher-level officials prosecuted or forced to resign due to ongoing involvement with corruption. Finally, the government has taken some steps to remedy particularly egregious preferential treatment in licensing, regulation, and procurement, in particular by reorganizing the ownership of state-owned companies.

Human Resources Reform

Hiring, Promotion, and Firing

To date, there has been no coordinated effort to introduce meritocratic human resource reforms in Ukraine under the post-Euromaidan governments. Under Yanukovych, Ukraine retained a highly politicized public sector, with positions obtained through personal or political connections, or through direct purchase. Similarly, higher level positions were generally reserved for the personal and political associates of Yanukovych and the Donetsk clan, while dismissal was arbitrary, and employed to sanction political disloyalty. As such, the state administration, both the national and local

levels, did not adhere to any objective standards for recruitment, hiring, promotion, or dismissal based on experience, qualifications, or examinations.

By and large, this system has persisted in post-Euromaidan Ukraine. At the regional level, with presidential powers of appointment, local administrations continue to be staffed primarily by presidential loyalists.[306] At higher levels of the state administration, individual, reform-oriented ministers have implemented ad hoc meritocratic hiring practices, while the government has instituted meritocratic hiring procedures as part of high-profile pilot programs. The Ministry of Internal Affairs, for example, as part of a police reform initiative consciously modeled on Georgia's police reforms, has initiated a recruitment drive to fill 2000 new police positions in Kyiv.[307] The recruitment criteria included age restrictions, education requirements, physical fitness tests, and proficiency in English, and examinations.[308] To date, however, these recruitment reforms appear to be isolated to these pilot programs.

Staff Replacement or Reduction

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[306] Holmov, Nikolai. "Poroshenko in Odessa 10th April - Changes Afoot." *OdessaTalk*. Accessed June 4, 2015. http://www.odessatalk.com/2015/04/poroshenko-in-odessa-10th-april-changes-afoot/.

[307] The police reform initiative is to debut in Kyiv, and will later roll out to other large cities, including Odesa, Kharkiv, and Lviv (Ayres, Sabra. "Clean Sweep? Ukraine Cans All Its Bribe-Hungry Traffic Cops." *Christian Science Monitor*, June 2, 2015. http://www.csmonitor.com/World/Europe/2015/0602/Clean-sweep-Ukraine-cans-all-its-bribe-hungry-traffic-cops).

[308] Holmov, Nikolai. "Rebuilding the Police." *OdessaTalk*. Accessed June 4, 2015. [http://www.odessatalk.com/2015/01/rebuilding-police/] accessed 06/05/2015; Ayres, 2015.

The lack of a coordinated effort to introduce meritocratic human resource practices is due in part to the difficulty of state managers dismiss employees associated with corruption and patronage. Although the post-2014 elections government includes several young, technocratic ministers tasked with reforming their respective agencies, these ministers and their higher level staff have faced opposition from veterans of the state administration, who have used a variety of political mechanisms to sabotage these efforts.[309] Despite this resistance, Ukraine's reformers have made progress removing corrupt staff and reducing public sector positions relative to the reform effort under Yushchenko, although these reforms have not been as dramatic as in Georgia.[310]

The large-scale lustration of the state administration has been a central focus of Ukraine's reform constituencies since the Euromaidan protests. Following the impeachment of Yanukovych, the transitional government created a Lustration Committee headed by Euromaidan activist Yehor Sobolev, and tasked with determining the conditions for dismissals of state employees associated with the Party of Regions or Ukraine's Communist Party.[311] While the Lustration Committee has undertaken several rounds of lustration, these efforts have focused primarily on higher-level politicians and

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[309] "The First Perception of the Ukrainian Government: First 100 Days in the Office." *VoxUkraine*. Accessed June 8, 2015. http://voxukraine.org/2015/03/12/the-first-perception-of-the-ukrainian-government-first-100-days-in-the-office/.

[310] Recall that Yushchenko replaced around 18,000 employees, primarily in higher level political positions, while Georgia's reforms reduced public sector positions by up to 50% in total (60,000 positions), according to one estimate.

[311] For details, see "The Stumbling Stones on the Lustration Path." *VoxUkraine*. Accessed June 8, 2015. http://voxukraine.org/2014/12/09/the-stumbling-stones-on-the-lustration-path/.

managers, and even these efforts have been challenged on legal grounds.[312] The failure of the general lustration program to date is evidenced by the ambitious goal advanced by Justice Minister Pavlo Petrenko under the transitional government, who asserted lustration could lead to the dismissal of up to a million civil servants.[313] As of this writing, lustration had led to the dismissal of perhaps a few dozen officials.

Beyond the general lustration efforts, individual ministers and regional governors have undertaken staff reductions and dismissals in their specific jurisdictions. Minister of Economic Development and Trade Aivaras Abromavicus,[314] announced intentions to cut the staff of the ministry by 50%, eliminate redundant departments, and focus their functions.[315] Similarly, as part of the pilot reform of the Kyiv traffic police,[316] Minister of Internal Affairs Arsen Avakov sacked all existing officers, replacing them with 2,000 officers drawn from a competitive hiring process, with plans to roll the project out to

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[312] Importantly, there have been no serious efforts to reform the judiciary in Ukraine, so influential individuals are able to to secure favorable legal treatment though clientelistic practices ranging from informal personal relationships, to bribery and coercion. Sobolev himself is pessimistic about the prospects for lustration in Ukraine, citing legal and logistical challenges, and criticizing the lack of political will by both Poroshenko and Minister of Internal Affairs Arsen Avakov (Butkevych, Bodhan, "Yehor Sobolev: Lustration has been blocked," *The Ukrainian Week*, 08/15/2014 [http://ukrainianweek.com/Politics/116898] accessed 06/05/2015).

[313] "Ukraine to Launch 'Full Clean-out' of Corrupt Officials." *Reuters*, October 10, 2014. http://www.reuters.com/article/2014/10/10/us-ukraine-crisis-purge-idUSKCN0HZ1NU20141010.

[314] A Lithuanian, given Ukrainian citizenship for the purpose of taking over the ministry.

[315] Holmov, Nikolai. "Ministry of Economic Development & Trade - Reformation." *OdessaTalk*. Accessed June 4, 2015. http://www.odessatalk.com/2015/02/ministry-economic-development-trade-reformation/.

[316] Overseen by Deputy Minister of Internal Affairs, Ekaterine Zguladze, who was a central figure in the reform of Georiga's police.

other major Ukrainian cities.[317] Finally, in May 2015, Poroshenko appointed former Georgian president Mikheil Saakasvhili governor of the Odesa region, where he immediately announced plans to fire 24 of 27 district heads, with plans to hire new administrators via open competition.[318] As of yet, it is unclear if this staff overhaul will include bureaucrats at the lower levels of state and local administration, especially given the local influence of Odesa city[319] mayor, a former Party of Regions official with alleged interests in organized crime and smuggling associated with Odesa's notoriously corrupt ports.[320]

However, despite these high-profile programs, there is little evidence Poroshenko and Yatsenyuk are willing or able to to conduct large scale lustration or staff replacement, especially at the regional level. Poroshenko's strategy appears to be to introduce visible pilot programs in Kyiv, followed by other major Ukrainian cities. Indeed, Poroshenko himself has acknowledged an inability to penetrate local structures, and the need to conduct reforms in Kyiv because of its international profile.[321]

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[317] "Clean Sweep? Ukraine Cans All Its Bribe-Hungry Traffic Cops." *Yahoo News*. Accessed June 4, 2015. http://news.yahoo.com/clean-sweep-ukraine-cans-bribe-hungry-traffic-cops-172915089.html.

[318] "Саакашвили Собирается Уволить 24 Из 27 Глав Районов На Одещине." *Украинская Правда*. Accessed June 8, 2015. http://www.pravda.com.ua/rus/news/2015/06/3/7069933/.

[319] "Odesa" refers both to an *oblast* (region), and to Odesa city, the administrative center of the *oblast*.

[320] Holmov, Nikolai. "Saakashvili - Odessa Governor." *OdessaTalk*. Accessed June 8, 2015. http://www.odessatalk.com/2015/05/saakashvili-odessa-governor/.

[321] "Reforms in Regions Not Effective Enough, Poroshenko Says| Ukrinform." Accessed June 8, 2015. http://www.ukrinform.ua/eng/news/reforms_in_regions_not_effective_enough_poroshenko_says_330333. Of course, this argument from Poroshenko fits comfortably with the notion of a "hedging" strategy with regard to anticorruption. Given the protracted conflict in the east, and the associated dire economic situation, high profile reform efforts are necessary to secure continuing economic support from the IMF and other international donors.

Salary and Benefits

Similarly, efforts to bring state salaries and benefits in line with comparable private sector positions appear to be isolated to pilot programs. As was the case under Kuchma and Yushchenko, public employees under Yanukovych continued to receive substandard wages. The underpayment of state employees continues to facilitate corruption by driving qualified employees abroad or into the private sector,[322] and by incentivizing bribe-taking by state employees. As is the case with personnel practices and staff turnover, efforts to increase and standardize official public sector wages have been confined to isolated programs.

Specifically, the Interior Ministry's pilot reform of the traffic police in Kyiv includes a salary increase component. The Kyiv traffic police reform program increases the starting salaries of officers from about 2000 Ukrainian hryvnia (US $95) per month to 8000 hryvnia (US $380). The increase puts the starting salaries for Kyiv officers[323] on par with the average Ukrainian monthly salary, which has served to attract more qualified candidates to the recruitment process.[324] However, the ongoing economic crisis and

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[322] Both the conflict in the east and continuing corruption have contributed to the emigration of young, educated potential employees, including committed Euromaidan activists, from Ukraine (Webb, Isaac. "Heroes of the Euromaidan Revolution Are Leaving Ukraine." *VICE*. Accessed June 8, 2015. http://www.vice.com/read/the-heroes-of-the-euromaidan-revolution-are-leaving-ukraine-979).

[323] And officers in subsequent pilot programs in other cities.

[324] As of June 2, 2015, 61% of applicants to the new patrol police in Lviv, Odesa, and Kharkiv had at least a university level education. Only 8.5% of the application pool were active police officers (Press Service of MIA-Ukraine, [http://www.mvs.gov.ua/mvs/article/1511975] accessed 06/06/2015.

associated inflation has reduced the purchasing power all salaries, perhaps reducing the pool of qualified applicants.

Of course, this failure to increase official wages for public sector employees is linked to other factors that facilitate corruption. Without reducing the number of public sector employees, or the elimination of redundant agencies, there is less money available in the state budget with which to raise wages for remaining employees. Similarly, the continuing tax evasion, embezzlement, and other opportunities for grand corruption deprive the state budget of funds that might otherwise be used to pay employees. Finally, of course, the conflict in eastern Ukraine and the associated economic crisis has increasing inflation and demanded state resources. These more pressing priorities have limited the capacity of the state to pay its employees a competitive wage.

Anti-corruption Enforcement

Despite an initial frustration with the prosecutor general's office following the Euromaidan protests, a few high-level officials have been prosecuted for ongoing corruption. However, there appears to be little evidence that either the government as a whole, or individual ministries or agencies, have implemented programs to identify and punish employees for corruption. In this sense, the post-Euromaidan governments have improved over the reform efforts of Yushchenko an Tymoshenko, under whom practically no one was prosecuted for past or ongoing corruption, but have fallen far short of efforts

in Georgia, where pervasive monitoring and enforcement at all levels were central features of the reform program.

Despite initial frustration among Maidan activists and civil society circles about the lack of prosecution of high level officials involved in corruption,[325] Ukraine's prosecutor general's office has made some progress in this regard. In February 2015, Ukraine's first permanent Prosecutor General Vitaliy Yarema[326] resigned after widespread dissatisfaction with his efforts to bring cases against corrupt officials.[327] His replacement, Viktor Shokin has been somewhat more proactive, opening cases against several high profile officials still serving in the state administration, including a bribere charges against a manager in the state tax inspectorate[328] and several customs and military officers,[329] fraud and embezzlement charges against Opposition Bloc MP Serhiy

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[325] Activists have also advocated for the prosecution of officials responsible for abetting separatism in the east, and those responsible for crackdowns on the Euromaidan protests, including high-level police officials and judges who ruled against protestors. Almost 18 months after the crackdown that killed dozens of people, there has been no comprehensive investigation of the incident, and no efforts to hold officials accountable, with the exception of top figures including former Minister of Internal Affairs Vitaliy Zakharchenko, presidential administration head Andriy Kluyev, and Yanukovych himself, all of whom fled Ukraine and are wanted in Ukraine on charges of corruption and mass murder.

[326] Yarema was preceded by Oleh Makhnitskyi as acting Prosecutor General following the Euromaidan events.

[327] "Yarema Dismissed as Top Prosecutor, Official Announcement Pending." *KyivPost*. Accessed June 9, 2015. http://www.kyivpost.com/content/kyiv-post-plus/yarema-dismissed-as-top-prosecutor-official-announcement-pending-380057.html

[328] "Начальника Управления Налоговой Инспекции Задержали За Взятку – ГПУ." *Украинская Правда*. Accessed June 9, 2015. http://www.pravda.com.ua/rus/news/2015/03/10/7061062/

[329] "Prosecutors: Corrupt Ukrainian Officials on Border with Separatist Territories Sell Passports, Help Draft Dodgers." *KyivPost*. Accessed June 9, 2015. http://www.kyivpost.com/content/kyiv-post-plus/prosecutors-corrupt-ukrainian-officials-on-border-with-separatist-territories-sell-passports-help-draft-dodgers-389452.html.

Kluyev,[330] and an investigation into suspicions of corruption by the head of Ukraine's traffic police division.[331]

Despite these early efforts from Shokin, it is clear these cases are not high-profile enough, widespread enough, or politically costly enough to produce a deterrent effect on corruption. Indeed, Kluyev, as an MP associated with Yanukovych and the Party of Regions, and whose Opposition Bloc continues to be politically marginalized, is a relatively easy target. Furthermore, given the allegations of corruption associated with practically every relevant political camp in Ukraine, these efforts at enforcement may be perceived as window dressing at best,[332] and politically motivated selective enforcement at worst. Indeed, even Shokin and his associates in the prosecutor's generals office are accused of corruption and favoritism by activists and the cohort of reform MPs in the *Rada*.[333] Furthermore, there has been no comprehensive effort to monitor and sanction

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[330] "Verkhovna Rada Strips Kliuyev of Immunity." *Uatoday.tv*. Accessed June 9, 2015. http://uatoday.tv/news/verkhovna-rada-strips-kliuyev-of-immunity-432054.html.

[331] Gorchinskaya, Katya. "Ukraine Prosecutors Target Ex-Traffic Chief." *RadioFreeEurope/RadioLiberty*, June 5, 2015, sec. Ukraine. http://www.rferl.org/content/ukraine-prosecutors-target-traffic-cop/27055586.html.

[332] As is the case with many aspects of the ongoing reform program, enforcement has generally been limited to Kyiv (Holmov, Nikolai. "Judicial Reform - Corruption Management - Top Down, Bottom Up, or Fashion Accessory?" *OdessaTalk*. Accessed June 9, 2015. http://www.odessatalk.com/2015/03/judicial-reform-corruption-management-top-down-bottom-up-or-fashion-accessory/).

[333] " New Top Prosecutor Professional but Part of Old System." *KyivPost*. Accessed June 9, 2015. http://www.kyivpost.com/content/kyiv-post-plus/new-top-prosecutor-professional-but-part-of-old-system-380200.html. The Kyiv Post has also argued that the Prosecutor General's unwillingness to bring charges against Kluyev until more than a year after Euromaidan, and the fact that he was allowed to escape after the *Rada* stripped his immunity, are evidence that Poroshenko, the government, and the law enforcement agencies have no intention to clean up corruption in Ukraine ("The Runaways: No Yanukovych Officials Brought to Justice yet." *KyivPost*. Accessed June 11, 2015. http://www.kyivpost.com/content/ukraine/the-runaways-no-yanukovych-officials-brought-to-justice-yet-390879.html).

employees who take bribes at the lower level of the state administration.[334] Indeed, the reformers in the *Rada*, including Lustration Committee and Anticorruption Committee head Yehor Sobolev maintain that corruption is still pervasive at all levels, and that a central cause of this corruption is the unwillingness or inability of the prosecutor general's office to enforce laws and regulations.[335]

Nonetheless, Shokin's efforts to investigate corruption cases represents and improvement over the post-Orange Revolution enforcement of anticorruption laws, as do efforts to return stolen resources to the state. Recalling that prosecution of figures associated with corruption was a central mechanism through which the Saakashvili administration in Georgia returned stolen funds to the state budget, Poroshenko is pursuing similar measures to repatriate funds obtained through corruption.[336] As of this writing, the Prosecutor General's office had seized US $1.4 billion from Yanukovych and his associates[337], although given the pressing security and economic concerns, it is

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[334] Poroshenko has reported almost 3,000 officials have been convicted of corruption, although anticorruption activists report no corroboration, and note these are probably lower-level officials. In any case, this number is approximately on par with the number of corruption cases closed under Yushchenko, and indeed is probably not much of an improvement over Yanukovych, according to the head of the Anticorruption Action Center ("The Runaways: No Yanukovych Officials Brought to Justice yet." *KyivPost*. Accessed June 11, 2015. http://www.kyivpost.com/content/ukraine/the-runaways-no-yanukovych-officials-brought-to-justice-yet-390879.html).

[335] "Воры В Законе. Чиновники Украли Миллиарды Уже После Революции, За Которую Украинцы Заплатили Сотнями Жизней." Accessed June 9, 2015. http://nv.ua/publications/svolochi-vysshie-chinovniki-ukrali-milliardy-uzhe-posle-revolyucii-za-kotoruyu-ukraincy-zaplatili-sotnyami-zhizney-32380.html.

[336] Holmov, Nikolai. "Getting the Money Back - Ukraine." *OdessaTalk*. Accessed June 9, 2015. http://www.odessatalk.com/2015/03/getting-the-money-back-ukraine/.

[337] "Yatsenyuk Asks Ukraine's Prosecutors to Return $1.4 Billion Seized from Yanukovych to State Budget." *KyivPost*. Accessed June 9, 2015. http://www.kyivpost.com/content/ukraine/yatsenyuk-asks-ukraines-prosecutors-to-return-14-billion-seized-from-yanukovych-to-state-budget-388343.html.

unclear how much of this sum will be available specifically to raise public salaries or fund reform programs.

Procurement Reform

Despite some isolated successes, the post-Euromaidan governments have not managed to eliminate the preferential treatment of economic elites. This use of preferential licensing, regulation, and rigged procurement was perhaps more pronounced under Yanukovych than under Kuchma or Shevardnadze. Under Yanukovych's presidency, his closest personal and political associates, known as "The Family," benefitted enormously from these deals[338], as did established oligarchs like Rinat Akhmetov and Dmitro Firtash. However, most analyses continue to be pessimistic about the "de-oligarchization" of Ukrainian politics. Certainly, the most egregious offenders in "The Family" have fled the country, but several central oligarchs maintain influence through similar mechanisms. Most notably, *Rada* deputies maintain parliamentary immunity, despite several legislative initiatives from the reform-oriented cohort of parliamentarians.[339] Furthermore, Ukraine's oligarchs and regional economic elites

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[338] These schemes, and the wealth generated through the use of state positions ranging from artificial protection to outright embezzlement, are too extensive to detail here. For details, see the YanukovychLeaks project (http://yanukovychleaks.org/), a team of investigative journalists that recovered and analyzed presidential documents at his personal estate after Yanukovych fled the country. "The Family" has also been the subject of numerous investigative reports by *Ukrainskaya Pravda, Zerkalo Nedeli* (Mirror Weekly), the *Kyiv Post*, and other media outlets.

[339] The *Rada* has voted to strip immunity in isolated cases, most notably from Serhiy Kluyev in May 2015, Opposition Bloc MP and brother of Andriy Kluyev, a central figure in Yanukovych's administration. Following the vote to strip his immunity, Serhiy Kluyev fled Ukraine.

continue to advance their private economic interests through preferential licensing, regulation, and procurement kickbacks.[340]

To date, efforts to eliminate these mechanisms have been isolated. Mot promisingly, the *Rada* and the cabinet have undertaken efforts to reform the management of major state-owned enterprises that have historically been a source of preferential licensing and regulation deals and tax-avoidance schemes. As part of this process, Ukraine's largest state-owned enterprises will be audited by international firms,[341] unprofitable firms will be privatized[342], and the cabinet has discussed the possibility of outsourcing the management of major state-owned energy companies to foreigners.[343]

However, the most high-profile attempts to restructure the nature of private access to state resources have been efforts at the "de-oligarchization" of Ukraine. The most dramatic manifestation of this process has been the conflict between President Poroshenko and Ihor Kolomoisky, the Dnipropetrovsk oligarch that has maintained

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[340] See Chapter 3 for details on how these schemes have operated in Ukraine.

[341] "International Auditors Will Check Key State Companies - Cabinet." *Interfax-Ukraine*. Accessed June 6, 2015. http://en.interfax.com.ua/news/economic/270269.html.

[342] That is, Agriculture Minister announced an intention to undertake this privatization, and in May 2015 the *Rada* voted to privatize almost 300 firms ("French Ministers to Help Ukraine Carry out Corruption-Free Privatization." Accessed June 6, 2015. http://zik.ua/en/news/2015/05/14/french_ministers_to_help_ukraine_carry_out_corruptionfree_privatization_589854). The logistics of the actual privatization are obviously more difficult, especially given existing laws that protect certain firms from sale. "Pavlenko Hopes for $450 Million by Selling State Agriculture Firms." *KyivPost*. Accessed June 6, 2015. http://www.kyivpost.com/content/business/pavlenko-hopes-for-450-million-by-selling-state-agriculture-firms-390309.html.

[343] "В Укрнафте И Укртранснафте Будет Иностранный Менеджмент - Яценюк." *Украинская Правда*. Accessed June 6, 2015. http://www.pravda.com.ua/rus/news/2015/03/29/7063057/.

access to state resources by virtue of his long-time support of the pro-Western political parties. As arguably the most influential remaining oligarch, aside from Poroshenko himself, Kolomoisky's conflict with Poroshenko provides a case study in Ukraine's attempts to insulate the state from private economic interests. Kolomoisky is said to control several parliamentarians, especially in Yatsenyuk's Popular Front party, and is rumored to be a source of financing for the reform-oriented *Samopomich* party.[344] Following the Euromaidan protests, Kolomoisky was actually appointed governor of the Dnipropetrovsk *oblast*, in a move calculated to stem a wave of separatism in the region.[345] However, Poroshenko and the *Rada* have taken several steps to marginalize Kolomoisky, including sacking a Kolomoisky associate as director of the state-owned oil monopoly, sacking Kolomoisky himself as governor of Dnipropetrovsk,[346] and most recently, replacing a Kolomoisky associate as governor of the Odesa *oblast* with former Georgian president Mikheil Saakashvili.

However, there is plenty of reason to believe this effort to deprive Kolomoisky of access to state resources has less to do with any objective effort to de-privatize state positions, and more to do with the same sort of zero-sum political conflicts that crippled

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[344] *Samopomich* leader Andriy Sadovyi denies any links to oligarchs.

[345] Kolomoisky's *Pryvat* group and other financial-industrial holdings are based in Dnipropetrovsk, and he controls several private security organizations. He has also financed several volunteer battalions to counter separatists and Russian forces in the east.

[346] Kolomoisky's *Pryvat* Group is a minority shareholder in *UkrTransNaft*, but has generally been responsible for its management. In an effort to reassert state control over the enterprise, the *Rada* restructured the rules for management voting, and replaced the director. In response, Kolomoisky physically raided *UkrTransNaft* (the state oil monopoly) offices in Kyiv. In response, Poroshenko dismissed Kolomoisky as governor of Dnipropetrovsk.

the Orange coalition reform program.[347] Indeed, Poroshenko is an oligarch himself, and the UDAR party that comprises a large part of his political bloc is backed by oligarch Dmitro Firtash,[348] previously a patron of the Party of Regions. The current political status quo in Ukraine, therefore, might usefully be characterized experiencing another cycle of conflicts between oligarchs, with Kolomoisky and Firtash each influencing one wing of the pro-European majority coalition[349], and with opposition MP Serhiy Lyovochkin[350] and the Opposition Bloc representing the interests of the temporarily sidelined Donetsk clan.[351] Despite this ongoing conflict, the major economic interest groups in Ukraine have a common interest in marginalizing the small cohort of reform-oriented parliamentarians in the *Rada*. Indeed, Odesa blogger Nikolai Holmov reports that Kolomoisky, Firtash, Lyovochkin are angling for a "reset" of the current *Rada* with snap elections as early as

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[347] A series of recent moves against Firtash suggests the state may indeed be working to marginalize the influence of all of the oligarchs. As of writing, Minister of Internal Affairs Arsen Avakov reported the state had seized 46 plots of real estate and property owned by Firtash's "Ostchem" group. However, these steps are not sufficient to conclude the state has turned on the oligarchs.

[348] Opposition Bloc MP Lyovochkin alleges Firtash brokered the agreement between Poroshenko and current Kyiv mayor (UDAR leader and prominent Euromaidan opposition figure) Vitaliy Klitschko, in which Klitschko agreed to incorporate UDAR into Bloc Poroshenko and support Poroshenko himself as presidential candidate. Firtash, currently under indictment in the United States on corruption charges, remains free after an Austrian court refused extradition in April 2015 on the grounds that the US charges were baseless. Firtash testified that the charges were political in nature, stemming from his long-running conflict with Yulia Tymoshenko. For more details, see "Firtash Claims Kingmaker Role in Ukrainian Politics." *KyivPost*. Accessed June 6, 2015. http://www.kyivpost.com/content/ukraine/firtash-claims-kingmaker-role-in-ukrainian-politics-388070.html.

[349] That is, Firtash, associated with Poroshenko/UDAR, and Kolomoisky, a long time supporter of Tymoshenko and Yatsenyuk.

[350] Leading MP in the Opposition Bloc (a reconstitution of the Party of Regions) and former head of Yanukovych's presidential administration.

[351] For details on the oligarchic influence on parliamentarians from Bloc Poroshenko, Popular Front, the Opposition Bloc, and the populist Radical Party, see "Return of the Oligarchs: The October Parliamentary Elections." *Observer Ukraine*. Accessed June 4, 2015. http://observerukraine.net/2014/11/18/return-of-the-oligarchs-the-october-parliamentary-elections/.

spring 2016.[352] Given the clientelistic nature of Poroshenko's bloc, Yatsenyuk's Popular Front, and the Opposition Bloc, each maintains enough influence over individual MPs to divide the majority coalition.[353] By voter of this clientelistic "control" over individual MPs, oligarchs continue to impede efforts to limit preferential state treatment that threatens their core economic interests.

Assessment Conclusion

The post-Euromaidan governments under Prime Minister Arseniy Yatsenyuk and President Petro Poroshenko have made marginal improvements in public sector reform relative to their predecessors in the Orange coalition. While there has been no noticeable improvement in standardization of human resource practices, individual ministers and high-profile pilot programs have focused on removing corrupt employees and replacing them with meritocratic hires. Most prominently in this regard, Interior Minister Arsen Avakov, with the help of Georgian deputy Eka Zguladze, has implemented an overhaul of the patrol police in Kyiv, with plans to introduce the initiative to other major cities. Similarly, salary and benefits increases has been limited to these pilot programs and to initiatives by individual ministers.

With regard to enforcement of anticorruption laws or regulations, again, Ukraine has made incremental progress. After an initial period in Prosecutor General Vitaliy

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[352] Holmov, Nikolai. "Local Elections 2015.....or Not." *OdessaTalk*. Accessed June 4, 2015. http://www.odessatalk.com/2015/03/local-elections-2015-or-not/.

[353] Ibid.

Yarema initiated no cases against corrupt officials, his replacement, Viktor Shokin has introduced charges against a few high-profile officials. However, the resolution of these cases is still outstanding as of writing, and prosecution has tended to focus politically favorable targets.

Finally, Ukraine has taken some promising steps toward procurement reform in order to reduce elite-level corruption. Specifically, the *Rada* has focused on auditing state-owned energy companies and the restructuring of their ownership. Similarly, President Petro Poroshenko in particular has taken steps to limit the access of oligarchs to state positions, most prominently by attacking the political assets of oligarch Ihor Kolomoisky. However, without a wider campaign against the oligarchs, concrete steps to make procurement more transparent, and the elimination of licensing and regulation, Ukraine will not be able to insulate public positions from the influence of political and economic elites.

Stage 1: Ukraine Under Yanukovych

This section describes the political environment that produced the Euromaidan protest movement and the subsequent public sector reform efforts. This environment, like the previous case studies, was characterized by a patronal president, Viktor Yanukovych, that maintained power in part by selectively distributing access to state positions and resources to economic and political clients. In many respects, Yanukovych's term from 2010 to 2014 resembled that of Leonid Kuchma's and Eduard Shevardnadze's, with both

formal political power, and informal power associated with patronage and corruption, concentrated in the presidency. As such, Yanukovych faced a similar politician's dilemma —corruption was an instrument through which he maintained the support of his key political networks, but made him increasingly unpopular with the public, as well as elites outside those networks.

However, Yanukovych was less concerned with placating the public or international donors with even nominal anticorruption reforms. In a point of contrast with Shevardnadze and Kuchma, Yanukovych increasingly relied on coercion, as opposed to reform signals, to stem political opposition. Indeed, Yanukovych and the Party of Regions effectively excluded other political forces, including any ostensible reformers. As such, these potential reform figures operated from a position of political opposition in the *Rada.* These ostensible reformers came to power on the heels of the Euromaidan protest movement that was sparked by Yanukovych's rejection of an EU Association Agreement in favor of closer trade ties with Russia, but which reflected increasing frustration with the corruption and authoritarianism of the regime.

This section explains in more detail the arrangement of formal and informal institutions in Ukraine under Yanukovych that produced the politician's dilemma that led to his ouster. As both the formal institutional structure and the informal patron-client networks and use of corruption as a political tool in Ukraine are detailed in Chapter 3, here I emphasize two major developments under Yanukovych that would have

consequences for the subsequent reform efforts. First, the Yanukovych regime re-concentrated formal political power in the presidency by nullifying the 2004 constitutional amendments that devolved some powers to the premiership,[354] returning Ukraine to the 1996 constitution under which Kuchma governed. Second, Yanukovych's use of informal powers associated with patronage and corruption concentrated influence in the Donetsk clan and the Party of Regions.

Yanukovych's Politician's Dilemma

On one hand, it would be misleading to describe Yanukovych as facing a dilemma of governance. Yanukovych was authoritarian and kleptocratic to a degree that eclipsed both Kuchma and Shevardnadze. He governed with little concern for anyone outside his circle of political and economic clients, re-centralizing formal authority in the presidency, and using the familiar combination of privileged access to state resources and coercion to maintain his coalition of political support. On the other hand, the fact that he had no apparent impulse to govern for the benefit of the larger public, and that the result was a popular protest movement that deposed him and forced him into exile, underscores the importance of the tradeoff between provision of public goods and political clientelism for rulers in these systems.

[354] Recall that these amendments did not come into force until 2006.

Nonetheless, Yanukovych's strategy for maintaining power in Ukraine tilted heavily toward political clientelism, with an emphasis on coercion. Although Yanukovych did, from time to time, attempt to placate the public and international donors organizations with reforms, these efforts consisted only of the most transparent formal window dressing. Yankovich's family, personal associates, and economic clients enriched themselves significantly through access to state resources during his tenure, and Yanukovych had no intention of enforcing reforms that would limit these gains. Furthermore, Yanukovych concentrated control of state positions in the Party of Regions, the party that has served as the political roof for the interests of the Donetsk clan, generally closing off access to significant positions to would-be reformers. As a result, the apparent reformers that came to power following the Euromaidan protests did not emerge from within the *ancien regime*, but consistently operated from a position of political opposition.[355]

Formal Institutions

In terms of formal political institutions, Yanukovych operated largely within the same framework as did Kuchma. Specifically, two institutional features facilitated Yanukovych's use of corruption and patronage to benefit his key supporters. First, the reversion to the 1996 constitution concentrated control of state appointments in the

[355] The most notable exception was current president Petro Poroshenko, who briefly served as Economy Minister under Yanukovych.

presidency. Recall that the 2004 set of constitutional amendments transferred the power to form the government to the *Rada* as part of the compromise that ended the Orange Revolution standoff.[356] In late 2010, following the election of Yanukovych, Ukraine's Constitutional Court overturned these amendments on legal technicalities, returning Ukraine to the 1996 constitution. The 1996 constitution gave the president the power to nominate candidates to cabinet-level positions, and to directly appoint officials at the deputy level of the ministries and non-cabinet level state agencies. This appointment power gave Yanukovych the ability to staff the cabinet and state agencies with his allies in the Party of Regions and with personal loyalists from Donetsk.

Second, the presidency retained the power to appoint local officials including regional governors and heads of local councils and city administrations (Konitzer-Smirnov 2005, 6-7). Indeed, by co-opting independents, the Party of Regions was able to gain control of all local councils, excepting the three western *oblasts* (Kudelia 2014, 22). The most important consequence of this appointment power was that it established an even more cohesive "vertical" of power than those presided over by Kuchma and Shevardnadze. This power vertical gave Yanukovych the ability to use the state administration at all levels to advance his political goals, both by mobilizing state employees for electoral purposes, and by using various state agencies to coerce political opponents.

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[356] Notably, this transfer of power from the president to the parliament was previously advocated by Kuchma as a hedge against his clients losing access to the presidency in 2004. Facing Yanukovych's defeat, the Party of Regions also supported the amendments as part of the Orange Revolution settlement.

Informal Institutions

Patron-client Networks

However, while Kuchma attempted to balance between competing oligarchic clans, Yanukovych's presidency represented the ascendence of the Donetsk clan—specifically, entrepreneurs associated with Yanukovych's family and personal network, financial-industrial conglomerates based in Donetsk, and their political umbrella, the Party of Regions. In this sense, Yanukovych's election in 2010 represented the outcome that the Dnipropetrovsk oligarchs and business elites in Kyiv feared when they backed Yushchenko in the 2004 election against Yanukoych and the subsequent Orange Revolution. Indeed, Yanukovych's presidential term was characterized by increasing authoritarianism and kleptocracy that exceeded both Kuchma's and Shevardnadze's presidencies.

The first of Yanukovych's informal constituencies was the established oligarchic financial-industrial conglomerates of Donetsk and their political representation in the Party of Regions. The PoR, representing the extensive economic interests of a coalition of Donetsk businessmen,[357] dominated the *Rada* in a way that previous pro-presidential parties could not previously. Kudelia (2014, 22), described the PR under Yanukovych as a "party of power" that effectively merged with the state administration, obtaining two-

[357] Most prominent among these was Ukraine's richest man, Rinat Akhmetov, owner of the Systems Capital Management conglomerate, who actually served as a PoR MP from 2006-2011. Oligarch Dmytro Firtash was also a key supporter and beneficiary of Yanukovych and the Party of Regions

thirds of cabinet seats,[358] ninety percent of regional governorships,[359] and majorities in most local councils. This domination of the machinery of the state, therefore, allowed Yanukovych to act less as a balancer of competing elites than the focal point for the distribution of state resources to a restricted circle of primary economic supporters.

The second informal constituency for Yanukovych was a small set of family members and personal associates from Donetsk known colloquially as "The Family." While these figures generally did not begin the Yanukovych presidency as oligarchs, by 2014 they had become some of the richest people in Ukraine. One of the most prominent beneficiaries of the Yanukovych presidency were Yanukovych's own son Oleksandr, a dentist by training, who used a combination of rigged privatization schemes, fixed procurement tenders, and outright raiding of competitors using state security forces and preferential court rulings to build a fortune between 2010 and 2014. Similarly, 28 year old Serhiy Kurchenko became a gas-industry magnate through connections to the Yanukovych family and the Donetsk clan, largely acting as the head of a front company that captured gains from preferential tenders, tax exemptions, and other state privileges (Kudelia 2014, 25-26). Aside from these ostentatious economic gains, Yanukovych increasing shifted control of the state administration, especially the politically valuable

[358] Some ministers, like the Minister of Internal Affairs, by law may not hold party affiliations. In these cases, positions were filled by Yanukovych's personal associates who were not formally PoR members.

[359] These governors were also named chairperson of the local party apparatus (Kudelia 2014).

"power ministries", including the state security services, police, and finance and tax bodies, to these personal and family associates.[360]

Corruption as a Political Tool

Yanukovych's presidency, therefore, was characterized by a highly centralized state administration, executive power concentrated in the presidency, and the concentration of informal power in a smaller circle of informal patron-client groups. In this environment, Yanukovych presidency, corruption retained largely a similar political function as it did under Kuchma and Shevardnadze. At the elite level, Yanukovych used rigged public procurement and preferential licensing and regulation to funnel state resources to his preferred clients. Following the 2012 parliamentary elections, for example, Yanukovych further restricted access to state resources by marginalizing the PR in favor a few select associates, including Rinat Akhmetov, Dmitro Firtash, his son Oleksandr, and his son's associates including Serhiy Kurchenko, all of whom received state subsidies, exclusive public tenders, and privileged access to privatization deals (Kudelia 2014, 26). This concentration of the gains from the use of state resources in a smaller circle of key supporters served both to marginalize political opponents, and to increase the loyalty of those supporters (Kudelia 2014).

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[360] Most notoriously, Yanukovych's Minister of Internal Affairs was Vitaliy Zakharchenko, believed to be responsible for the crackdown on the Euromaidan protests, including the orders to fire on protestors. Zakharchenko was a career police official in Donetsk, and a personal associate of Oleksandr Yanukovych.

In addition to this use of corruption to reward supporters, Yanukovych drew on the political value of corruption to coerce political opponents. Specifically, Yanukovych relied heavily on selective prosecution of corruption in order to marginalize political opponents. Specifically, in 2011, the Prosecutor General's office under initiated a series of criminal cases against Yulia Tymoshenko, a long-time political rival of the Donetsk oligarchs and Yankukovych[361], for corruption and abuse of office while prime minister during Yushchenko's presidency, for which she was convicted and sentenced to seven years in prison.[362] Both domestic and international organizations have called Tymoshenko's imprisonment politically motivated selective prosecution,[363] In this sense, the systemic corruption that characterized Ukraine since independence continued to provide leverage through which to punish political opposition.

The valuation of corruption for Yanukovych was not limited to rewards or coercion for political elites. At lower levels of the state administration, the Yanukovych regime relied on corruption to incentivize loyalty. Similar to Ukraine under Kuchma and Georgia under Shevardnadze, the state administration operated as a feudal pyramid, with lower level officials extracting bribes, and kicking a percentage up to supervisors as a

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[361] Tymoshenko was Yanukovych's main competition in the 2010 presidential election, losing in the second round by approximately three percentage points.

[362] Tymoshenko was freed following the Euromaidan protests and Yanukovych's departure from Ukraine. Tymoshenko's *Batkivshchina* (Fatherland) party was also the main opposition to the PR in the *Rada*,

[363] That is, there is a tacit acknowledgement that the charges may be at least partly true, especially in the sense that most political elites, especially those associated with the energy sector, engaged in some form of corruption. Clearly, however, this prosecution effort by the Yanukovych administration did not target the entire political elite, but focused on Tymoshenko specifically because she represented the greatest political threat to Yanukovych.

condition of employment. According to one investigative report, for example, officers of Ukraine's elite *Berkut* police units were forced to pay regular sums to superiors which were garnered in part from extortion of drug dealers and other black market entrepreneurs.[364] Again, this sort of lower-level corruption operates as a buy-in to the system of corruption for public sector employees.

Yanukovych's Hedging Strategy

Despite these political benefits of corruption in terms of solidifying a smaller, more cohesive base, the increasingly obvious corruption of the state administration and the personal enrichment of his friends and associates made the president increasingly unpopular. Although Yanukovych and his family and personal associates clearly benefitted financially from extensive corruption, his administration did take some steps to signal a commitment to public sector reform in order to fulfill international obligations.

Formal Anticorruption Initiatives

[364] Burlakova, Valeria. "A Bird Rebellion," *The Ukrainian Week*, 09/27/212 [http://ukrainianweek.com/Investigation/61037] accessed 06/11/2015. Of course, petty corruption was not limited to elite police units. Numerous casual conversations during field research in late 2013 and early 2014 suggested that corruption in the state administration was pervasive, with local bureaucrats demanding bribes for construction licenses, state medical employees demanding bribes to jump queues for treatment, and university professors soliciting bribes for passing test scores.

While Yanukovych and a subordinate parliament did introduce some initiatives to satisfy the requirements of agreements with international organizations, these steps were not accompanied by serious attempts to actually stem pervasive corruption at all levels of the state administration.[365] Yanukovych's most dramatic reform initiative was a streamlining of the central government, in which, by presidential decree, he eliminated four ministries, and halved the number of national-level non-cabinet executive agencies.[366] Certainly, these agency and staff reductions did not involve significant numbers of personnel, or extend beyond the central government to the regions. Furthermore, these reforms accompanied a process of shifting state posts primarily to allies in the Party of Regions.[367] While I have seen no evidence that these reforms were part of a political strategy, one plausible interpretation is that streamlining the executive branch solidified Yanukovych's political position by eliminating sources of patronage for elites not associated with the PR. Notably, during the process of reorganization, the Lytvyn bloc was deprived of two government portfolios, transportation and social policy, both of which provided substantial patronage opportunities.

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[365] "Reforming the Ukrainian Economy under Yanukovych: The First Two Years." *Carnegie Endowment for International Peace*. Accessed June 12, 2015. http://carnegieendowment.org/2012/04/02/reforming-ukrainian-economy-under-yanukovych-first-two-years.

[366] "Ukraine Launches Administrative Reform, Cuts Central Government." *The Jamestown Foundation*. Accessed June 12, 2015. http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=37317.

[367] "Ukraine Launches Administrative Reform, Cuts Central Government." *The Jamestown Foundation*. Accessed June 12, 2015. http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=37317. The 2010 government was originally formed on the basis of a coalition between the PR, the KPU (Ukraine's Communist Party) and the political bloc of former *Rada* chairman Volodymyr Lytvyn.

These efforts also aimed to improve governance at points of contact between citizens and the state, albeit in sectors that were less politically valuable than the security sector. In 2011, apparently in response to pervasive corruption in Ukraine's health care sector, the Ministry of Health rolled out a series of pilot projects in Vinnytsia, Dnipropetrovsk, Donetsk, and Kyiv.[368]

Appointment of Reformers

In contrast to both Kuchma and Shevardnadze, Yanukovych did not appoint any prominent reform figures ostensibly responsible for improving governance. As part of an ostensible reform effort beginning in 2010, Yanukovych adopted an economic reform plan developed by a reform committee that was staffed by technocrats, including Ukrainian economists, foreign economics experts, and international consulting firms.[369] Notably, however, this program did not include an anticorruption component,[370] and no technocrats or reformers were appointed to positions in which they might reasonably have a chance to implement the recommendations of the reform committee.

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[368] "Kvitashvili Pledges to Clean up Health Sector, End Corrupt Drug Purchases, Revamp Budget." *KyivPost*. Accessed June 4, 2015. https://www.kyivpost.com/content/business/kvitashvili-pledges-to-clean-up-health-sector-end-corrupt-drug-purchases-revamp-budget-383936.html.

[369] "Reforming the Ukrainian Economy under Yanukovych: The First Two Years." *Carnegie Endowment for International Peace*. Accessed June 12, 2015. http://carnegieendowment.org/2012/04/02/reforming-ukrainian-economy-under-yanukovych-first-two-years.

[370] Ibid.

In fact, Yanukovych's appointment strategy consistently became more politicized and more exclusive. Following a relatively poor performance for the PR in the 2012 parliamentary election, Yanukovych empowered a small circle of oligarchs and personal associates at the expense of the broader coalition within the PR (Kudelia 2014, 25-26). This shifting of key ministries and state agencies, especially those associated with presidential administration and the security agencies, marginalized the relative moderates in the PR, like Serhiy Lyvochkin,[371] who was replaced as head of the presidential administration by Yanukovych's long-time associate from Donetsk, Andriy Kluyev.

Stage 1 Conclusion

Therefore, prior to the 2014 Euromaidan protest movement, the political environment in Ukraine under Yanukovych largely resembled that of Ukraine under Kuchma and of Georgia under Shevardnadze. While Yanukovych took steps to concentrate formal and informal power among allies in the PR and a smaller circle of personal loyalists, his regime relied largely on this institutional combination to maintain power. In this sense, the politician's dilemma that characterized Ukraine since independence, persisting even through the presidency of ostensible reformer Yushchenko, confronted both Yanukovych and his replacements following Euromaidan.

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[371] Kudelia (2014) points out that Lyovochkin advised Yanukovych, in order to respond to declining popularity, to sign an Association Agreement with the European Union, and retool himself as a reformer in advance of the planned 2015 presidential elections.

Specifically, a concentration of formal power in the presidency and a centralized state administration, and the use of the associated state positions, made corruption a valuable tool through Yanukovych guaranteed the loyalty of political elites. At the same time, this corruption made his regime increasingly unpopular both with the public, and with elites left out of his increasingly exclusive ruling coalition. Feeling at least some impetus to produce public goods, either to secure economic stabilization, international support, or more domestic popularity, Yanukovych introduced some nominal reforms, including a macroeconomic reform program and some reductions in executive agencies and personnel. Notably, these reforms did not include a significant anticorruption component, and Yanukovych did not appoint higher level personnel with an interest or ability in enforcing such a program. In short, the central problem of credible commitment that has impeded Ukraine's public sector reform efforts since independence remained for the coalition of opposition figures and ostensible reformers that took power following the Euromaidan protests.

Stage 2: Reformer Emergence and Party Building

As a result of Yanukovych's narrowing of the circle of beneficiaries of control of state positions, the opposition political elites that would take power after the Euromaidan protests did not emerge from within the ruling coalition, but instead were established political operatives in Ukraine. By the 2012 parliamentary elections, the opposition to Yanukovych and the PR centered on three parties—Tymoshenko's *Batkivshchina*

(Fatherland) party, the Ukrainian Democratic Alliance for Reforms (UDAR)[372] headed by Vitaliy Klitschko,[373] and *Svoboda* (Freedom), a right-wing Ukrainian nationalist party based in western Ukraine and headed by Oleh Tyahnybok. Much like Yushchenko's Our Ukraine party, and in contrast to Saakasvhili's National Movement, each of these parties represented elites and constituencies that were previously active in national-level Ukrainian politics, and would play a significant role in the Euromaidan protests. Notably, these parties are the antecedents of the parties that would govern in coalition after the October 2014 parliamentary elections. During the campaign process after Euromaidan, UDAR would be subsumed into the Bloc of Poroshenko, while the Popular Front would splinter from the established *Batkivshchina*. This rebranding underscores the reliance of these parties on political insiders, and their leaders' unwillingness or inability to build parties based on external constituencies.

Furthermore, the Yanukovych presidency saw the emergence two political forces that did not take an overt opposition stance, but which would become politically influential during and after the Euromaidan protests. First, oligarch Petro Poroshenko, who would become president in May 2015, served in the *Rada* as an independent MP after briefly serving as Minister of Trade and Economic development in the first Azarov

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[372] The party acronym UDAR corresponds to the Russian and Ukrainian words for "blow" or "strike," a reference Klitschko's career as a professional boxer.

[373] Importantly, in advance of the October 2014 parliamentary elections, UDAR agreed to participate as part of Bloc Poroshenko, apparently as part of the deal in which Klitschko agreed to support Poroshenko for president and run for the post of Kyiv mayor instead. Poroshenko would not emerge as a serious presidential candidate until late in the Euromaidan protests.

government.[374] Poroshenko did not engage in any significant party building during this stage, working to aggregate political forces, including UDAR, only after the Euromaidan revolution. Second, in late 2012 Lviv mayor Andriy Sadovyi established the *Samopomich* (Self-help or Self-Reliance) Union as a regional party. While *Samopomich* did not take part in national-level politics before 2014, and did not participate Euromaidan as an organization, the party would go on to obtain significant representation in the 2014 elections with a party list based largely on civil society activists.

In this section, I argue that Ukraine's inability to introduce dramatic public sector reforms has roots in the party development strategies of the opposition to Yanukovych and the Party of Regions. Indeed, among the major parties represented in the Euromaidan —UDAR,[375] *Batkivshchina*, and *Svoboda*, the former two, as the most politically relevant,[376] were recapitulations of existing political forces, and therefore did not meaningfully incorporate new constituencies. Despite some populist attempts to gain votes by incorporating prominent activists, journalists, and war heroes on their party lists after the Euromaidan, by remaining essentially personalized, virtual, and clientelistic

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[374] That is, the cabinet under Prime Minister Mykola Azarov, a close associate of Yanukovych, which lasted from March 2010-December 2012.

[375] And later, the Poroshenko Bloc, into which it was subsumed.

[376] Of these three parties, *Svoboda* was clearly the most ideological, serving as the political representation for a variety of Ukrainian nationalist groups, including far-right radical groups. As such, *Svoboda* has not been politically palatable outside of Lviv and some other far western regions, even since the onset of violence with Russian-backed separatists. As such, the formation of *Svoboda* will not be analyzed in the following sections.

parties, each lacks a core constituency that could meaningfully check the use of public positions for personal gain.

The Political Environment for Reformer Emergence, 2010-2012

To reiterate, by 2010, the infighting between the camps of former Orange Revolution allies Viktor Yushchenko and Yulia Tymoshenko pushed Ukraine into a political crisis that facilitated the re-emergence of Viktor Yanukovych and the Party of Regions. Yushchenko's inability to produce reforms destroyed his popularity with the public, and he finished fifth in the scheduled 2010 presidential election with less than 6% of the vote. Yanukovych eventually defeated Tymoshenko in the second round, with neither having secured a majority of votes in the first round. Yanukovych's election prompted the collapse of the ruling coalition in parliament, composed of the Bloc of Yulia Tymoshenko (BYuT),[377] the pro-Yushchenko Our Ukraine-People's Self Defense Bloc (OU-PSD), and the Bloc of Volodymyr Lytvyn[378]. In response, the Lytvyn Bloc joined with the Party of Regions and the KPU formed a "Stability and Reform" coalition, a pro-Yanukovych majority, with *Batkivshchina* and the various constituent parties of the OU-PSD bloc moving into opposition. This first Azarov government lasted until December

[377] An electoral bloc formed around her *Batkivshchina* party.

[378] A collection of various "centrist" political forces, many of which previously supported Kuchma.

2012, when Yanukovych appointed a new government based on the results of the October 2012 parliamentary elections, won by the Party of Regions.

Opposition Parties under Yanukovych

Therefore, at the beginning of Yanukovych's presidential term in 2010, the opposition was composed entirely of political veterans and established political parties, many of whom took part in the Orange Revolution. These opposition figures challenged Yanukovych and the Party of Regions through the development of political parties that aggregated or rearranged existing political forces. Specifically, Vitaliy Klitschko developed UDAR on the basis of a combination of his personal political bloc in the Kyiv city council and elites associated with Yushchenko and his Our Ukraine electoral bloc. Meanwhile, following a failed 2010 presidential bid, Arseniy Yatsenyuk emerged as an opposition leader through Tymoshenko's *Batkivshchina* party. In this sense, both Klitschko and Yatsenyuk, as the most prominent opposition figures under Yanukovych, relied on pre-existing aggregations of political and economic elites to advance their electoral interests.

UDAR/Bloc of Petro Poroshenko

UDAR was formed on the basis of three major groups, all of which were primarily elite-based and had existing electoral infrastructure or available financing. First,

the core of UDAR was composed of several parties previously associated with Yushchenko's Our Ukraine electoral bloc.[379] Klitschko was originally elected to the Kyiv city council in 2006 on the list of the PORA-Reforms and Order bloc (PORA-PRP),[380] which eventually became Klitscko's eponymous bloc in the council. Klitschko's political bloc was also supported by the People's Movement of Ukraine (*Rukh*), which had also previously participated in the Our Ukraine bloc. After a strong showing in the 2010 local elections in Kyiv, the Klitschko bloc merged with several small parties, officially taking the name UDAR in 2011. With the increasing popularity of Klitschko, and with Yushchenko's popularity destroyed, the Klitschko bloc increasingly became a focal point for personalities associated with Our Ukraine.[381]

However, with Yushchenko's defeat and the effective collapse of Our Ukraine, UDAR also became a focal point for "centrist" political elements. In particular, UDAR was a natural source of representation for elites associated with the natural gas industry who opposed both Yanukovych and Tymoshenko (Kuzio 2015). This attraction was mutual, as UDAR incorporated politicians associated with these centrist parties in order

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[379] "UDAR – Our Ukraine Pragmatists in a Radical Opposition Era." *The Jamestown Foundation*. Accessed June 18, 2015. http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=40030%26no_cache=1.

[380] The bloc was the product of an alliance between the Reforms and Order party, which left the Our Ukraine bloc after the Orange Revolution, and Yellow PORA, the politically oriented wing of the student activist movement that was influential in the Orange Revolution. Black PORA was the more activist wing of the movement, and largely chose to stay out of politics, avoiding affiliation with political parties. For more details on the PORA split, see Kuzio, Taras, "PORA! TAKES TWO DIFFERENT PATHS." *The Jamestown Foundation*. Accessed June 18, 2015. http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=27471.

[381] For details, see Kuzio (2015, 211-212).

to expand its electoral appeal in advance of the 2012 parliamentary elections. Specifically, UDAR co-opted majoritarian representatives previously associated with pro-presidential parties, including the KPU and the Party of Regions.[382] Several of these figures, which UDAR ran both on its national party list and as majoritarian candidates, had reputations for party-switching according the which organization was likely to maintain ongoing access to state resources. Furthermore, several figures incorporated into UDAR in preparation for the parliamentary elections had established links to oligarchs, including Ihor Kolomoisky and Dmitro Firtash.[383] Firtash was also rumored to have been a source of financing for UDAR, although Klitschko and the party have denied this allegation.[384] Indeed, UDAR's electoral roster for the 2012 parliamentary elections was so dominated by these centrist MPs and associates of prominent oligarchs that there were significant doubts as to whether Klitschko would be able to maintain party loyalty following the election.[385]

As early as 2012, therefore, when UDAR emerged as a viable national opposition party, Klitschko's electoral strategy was primarily to rely on the aggregation of existing clientelistic political organizations. Indeed, in advance of the 2012 parliamentary

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[382] For details, see Lielich, Milan, "Left Hook by Klitschko's UDAR Party," *The Ukrainian Week* International Edition, 08/24/2012 [http://ukrainianweek.com/Politics/58450] accessed 06/18/2015.

[383] Ibid. In response to criticism following the open publication of its preliminary electoral lists, UDAR replaced 48 majoritarian candidates, including at least one candidate associated with Donetsk oligarch Rinat Akhmetov.

[384] These rumors resurfaced during Firtash's extradition hearing in Austria, when he again asserted sponsorship of UDAR, and claimed to have brokered the 2014 electoral agreement between Poroshenko and Klitschko.

[385] Ibid.

elections, official UDAR party program was devoid of any discernible ideology, with independent consultant and contributor to the platform Serhiy Kudelia concluding the party leaders, including Klitschko, wanted the platform developed as a public relations document rather than a policy guide (Kuzio 2015).

Batkivshchina/Popular Front

Similarly, Arseniy Yatsenyuk emerged as a major opposition figure not through the development of a new political party, but by drawing on an existing clientelistic party —Yulia Tymoshenko's established *Batkivshchina* party. Formerly a member of the pro-Yushchenko Our Ukraine-People's Self Defense Bloc (OU-PSD), Yatsenyuk developed a political organization, the Front for Change, in order to contest the 2010 presidential elections. While the Front for Change was apparently an attempt by Yatsenyuk to distance himself from the Orange coalition by establishing an independent party, the Front for Change relied not on the mobilization of external constituencies, but on financing from the familiar oligarchs, including Viktor Pinchuk and Firtash.[386]

After Yatsenyuk's 2010 presidential campaign sputtered, the strategy for developing support for the Front for Change continued to rely on the development of elite electoral pacts rather than grassroots development. In advance of the 2012 parliamentary

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386 "Yatsenyuk Started as Nation's Best Hope, but Has Fizzled out as Vote Draws near." *KyivPost*. Accessed June 18, 2015. http://www.kyivpost.com/content/ukraine/Yatsenyuk-started-as-nations-best-hope-but-has-fiz-57072.html.

elections, Yatsenyuk reached an agreement with Tymoshenko's *Batkivshchina* to contest the election with a unified party list. Within the framework of this agreement, the parties agreed to split both party lists and *oblast*-level campaign staff according to a 4:3 ratio in favor of *Batkivshchina*.[387] Furthermore, with Tymoshenko's imprisonment in late 2011, Yatsenyuk received the first position on the unified party list, allegedly in exchange for his support for Tymoshenko as a hypothetical presidential candidate in 2015.[388] Despite the agreement, the party remained relatively uncoordinated, serving as electoral umbrella for the "United Opposition" of several loosely related political factions including *Batkivshchina* proper, the Front for Change, the Reforms and Order party, and several other smaller parties, in Tymoshenko's absence, the bloc suffered from a crisis of leadership and an inability to formulate a coherent policy program.[389]

Following the parliamentary elections, the Front for Change and *Batkivshchina* merged formally, with the heads of Front for Change local branches taking positions as deputy heads in the local *Batkivshchina* organizations, and Yatsenyuk heading the unified party's political council.[390] Moving into the 2013 Euromaidan protests, therefore,

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[387] "Division of Oblast Election Staffs Between Fatherland, Front for Change Detailed," *Ukrainskaya Pravda*, 06/11/2012. Accessed via World News Connection [http://wnc.eastview.com/wnc/article?id=40265214] 06/20/2015.

[388] Leshchenko, Serhiy, "Arseniy Yatsenyuk may replace Yuliya Tymoshenko," *Ukrainskaya Pravda*, 03/02/212. Accessed via World News Connection, "Ukraine's Opposition Plans Detailed," 03/07/2012 [http://wnc.eastview.com/wnc/article?id=40022339] accessed 06/20/2015.

[389] Scumin, Andriy and Oles Oleksiyenko, "No Illusions," *The Ukrainian Week* International Edition, 11/26/2012 [http://ukrainianweek.com/Politics/65965] accessed 06/22/2015.

[390] "United Twice," *The Ukrainian Week* International Edition, 07/02/2013 [http://ukrainianweek.com/Politics/83457] accessed 06/18/2015.

Yatsenyuk emerge as a central opposition figure as a representative of Tymoshenko's party.

Yatsenyuk, therefore, preferred to rely on an existing electoral organization backed by entrenched political and economic elites, rather than invest in the costs of mobilizing external constituencies to support his electoral goals. Certainly, the latter choice was available to Yatsenyuk following his failed 2010 presidential bid. While it is unclear his incipient Front for Change would have been an improvement in this regard, the merger with *Batkivshchina* carried immediate political risks along with the benefit of an established electoral organization, including the scandals associated with *Batkivshchina* and the party's connection with several controversial figures.[391]

Samopomich (Self-Reliance)

Finally, among the major post-Euromaidan coalition members, the *Samopomich* party of Lviv Mayor Andriy Sadovyi is the party most clearly formed on the basis of externally mobilized constituencies. *Samopomich* was founded officially as a political party in December 2012. The organizational basis for the *Samopomich* Union was a public organization of the same name, founded in Lviv by Andriy Sadovyi, a businessman and NGO director who would go on to be elected mayor in 2006.[392] Sadovyi

[391] Leshchenko, 03/02/2012.

[392] "History," official website of *Samopomich* Union [http://samopomich.ua/en/history/] accessed 06/20/2015.

incorporated activists from the incipient organization into the city administration, where they implemented a development strategy that turned Lviv into a development leader,[393] giving Sadovyi a reputation as a competent manager.[394]

Certainly, *Samopomich* has not entirely avoided the sorts of clientelistic, personalized, and populist electoral strategies that Ukraine's other parties have relied on. Sadovyi himself is a businessman with holdings in mid-sized media enterprises.[395] Furthermore, the party has consistently denied rumors that it is financed by larger-scale oligarchs, including Kolomoisky.[396] Finally, *Samopomich* has drawn on some populist electoral strategies, specifically by including war hero Semen Semenchenko[397] on its electoral list in the second position in the 2014 parliamentary elections. However, especially in comparison to its coalition patterns, *Samopomich* was clearly organized not through drawing on the support of existing economic or political patrons, but through the activities of regionally based activists who previously had little or no connection to the national political establishment.

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[393] *Samopomich* official website [http://samopomich.ua/en/history/]

[394] "Ukraine Votes: United in Diversity." *Carnegie Endowment for International Peace*. Accessed June 21, 2015. http://carnegieendowment.org/2014/10/27/ukraine-votes-united-in-diversity/hsu4?reloadFlag=1.

[395] Control of these enterprises was transferred to his wife upon his election as mayor ("In a New Ukraine, the Sun Rises in the West." *Foreign Policy*. Accessed June 21, 2015. http://foreignpolicy.com/2014/11/21/in-a-new-ukraine-the-sun-rises-in-the-west/).

[396] These rumors appear to be largely unsubstantiated.

[397] Semenchenko was wounded in action as commander of the Donbas Battalion, a volunteer defense unit that has fought Russian-backed separatists in the Donetsk region.

Stage 2 Conclusion

To conclude, of the major opposition figures that emerged during the Yanukovych presidency, none relied on the mobilization of external constituencies in order to develop an electoral reputation. Vitaliy Klitschko, the former championship boxer, entered Ukrainian politics through Kyiv city council during the Yushchenko presidency, but relied on a strategy of aggregating existing parties and political elites previously associated with Our Ukraine to form UDAR, the vehicle through which he would enter national-level politics in the 2012 parliamentary election. Similarly, Arseniy Yatsenyuk, previously a minister and chairman of the parliament during the Yushchenko presidency, advanced his electoral reputation through merging an incipient political organization with Yulia Tymoshenko's established *Batkivshchina* party. Finally, although the party would not achieve significant electoral success in 2014, Lviv mayor Andriy Sadovyi established the relatively programmatic *Samopomich* Union, on the basis of a civic organization of the same name. In this sense, Sadovyi relied not on existing political patrons to establish an electoral reputation, but through the mobilization of a constituency of regional activists who were not previously involved in national-level politics.

Stage 3: Transition and Institutional Selection

Moving into the Euromaidan protests in late 2013, therefore, the political opposition to President Viktor Yanukovych centered on three parties—Klitschko's

UDAR, Tymoshenko's *Batkivshchina*, now headed by Yatsenyuk, and the Ukrainian-nationalist *Svoboda* (Freedom) party. Of these parties, both UDAR and *Batkivshchina* were organized around established political elites, with UDAR serving as a rebranding of personalities associated with Yushchenko's Our Ukraine bloc, and *Batkivshchina* representing Tymoshenko's long-time political and economic associates. Meanwhile, while Lviv mayor Andriy Sadovyi had established the *Samopomich* party on the basis of middle-class businessmen and local activists, it had not yet contested elections at the national level. The leaders of the three opposition parties represented in the *Rada*, UDAR, *Batkivshchina*, and *Svoboda*, would therefore serve as the political representation for the Euromaidan protests, a popular backlash against Yanukovych's decision to back out of an Association Agreement with the European Union.

The Euromaidan protest movement culminated in February 2014, following a political agreement between incumbent president Yanukovych, and the representatives of the three major political opposition parties—Klitschko, Yatsenyuk, and Tyanhybok. This political agreement to end the Euromaidan protests contained two important conditions that would shape later reform outcomes.[398] First, the parties agreed to a return to Ukraine's 2004 constitution, under which both the president and prime minister had roughly equal formal power, including appointment powers. This selection of the 2004 dual-executive constitutional framework again locked competing opposition figures onto

[398] Notably, given the lack of support even for the main opposition parties among the Euromaidan protesters, the agreement did not hold, and Yanukovych and his security forces fled. However, with Yanukovych gone and the Party of Regions marginalized, the former opposition parties abided by the terms of the agreement amongst themselves.

a path of maintaining Ukraine's status quo with regard to public sector reform. Second, the agreement called for pre-term presidential elections upon adoption of the new constitution. This re-ordering of electoral timelines created temporary political insulation for Ukraine's post-Euromaidan government following snap parliamentary elections after the collapse of the transitional coalition in October 2014. Within this political environment, both the president and the government have pursued some modest reform gains, although neither has been able to commit to the abandonment of state positions for political gain, or for the economic gain of their supporters.

This institutionalization of competing political and economic elites, even if on delayed electoral timelines, is in part a function of the party building strategies of the principal political elites—Yatsenyuk, Klitschko, and Petro Poroshenko, who won the May 2014 presidential election. Recall from Chapter 2 that political entrepreneurs party building strategies can exert exogenous effects on reform outcomes through a process of institutional selection. In clientelistic political systems under conditions of uncertainty, parties organized on the basis of externally mobilized constituencies serve a coordinating function, as those constituencies constrain elites' pursuit of individual interests. In Georgia, for example, Saakasvhili's National Movement served this coordinating function, winning elections on the basis of externally mobilized constituencies, rather than through aggregating political elites, and through the parliament, allowing Saakashvili to push through a series of amendments empowering the presidency. In Ukraine in 2014, in contrast, the opposition, composed of competing elite-oriented

parties, remained uncoordinated through the Euromaidan protests, leading each to agree to a dual-executive constitution that guaranteed some formal power for each party leader.

While post-Euromaidan Ukraine saw the emergence of *Samopomich* as a similar party organized on the basis of external constituencies, the opposition to Yanukovych in the *Rada* was dominated by UDAR (later Bloc of Poroshenko) and *Batkivshchina* (Later the Popular Front), the two existing elite-oriented parties, ensuring the ensuing coalition remained relatively uncoordinated. In this sense, although the electoral success of *Samopomich*, along with the inclusion of limited reform constituencies in the party lists of the major coalition partners, has provided some impulse for reform, an institutionalized state of competition between the parties of the president and prime minister have made reforms increasingly costly. Again, the 2004 dual-executive constitution has exacerbated the existing politician's dilemma for elites in clientelistic political parties, and impeded their ability to credibly commit to reforms.

The Political Environment in Transition: 2012-2014

The Post-2012 Environment

Moving into the 2012 parliamentary elections, Ukrainian politics was characterized by an increasing centralization of formal and informal power in the hands of president Viktor Yanukovych and his supporters in the Party of Regions in the *Rada*. The Party of Regions won the 2012 party list vote with about 30% of the vote, and added

several deputies in majoritarian constituencies,[399] enough to govern in coalition with the KPU and the support of independent majoritarian MPs. Despite its victory, the PoR actually underperformed expectations for Yanukovych, leading to his efforts to marginalize party members in favor of his family and personal associates in the formation of the second Azarov government, and in appointments to the presidential administration(Kudelia 2014). Meanwhile, although the main opposition parties did not win enough seats to form a majority in the *Rada*, the 2012 elections saw the emergence of Klitschko's UDAR which won almost 14% of the party list vote, and the surprising electoral success of the right-wing Ukrainian nationalist *Svoboda* (Freedom) party, winning about 10% of the list vote. Tymoshenko's *Batkivshchina*, serving as an electoral alliance for several opposition parties, including Yatsenyuk's Front for Change, won 103 seats between the party list vote and majoritarian candidates. With Tymoshenko imprisoned as of 2011, Yatsenyuk would lead the party heading into the 2013 protests, along with Klitschko representing UDAR, and Oleh Tyahnybok representing *Svoboda*.

The Euromaidan Protests: November 2013-February 2014

Unlike the Orange Revolution and the Rose Revolution in Georgia, the Euromaidan protests did not emerge in response to fraudulent elections. Rather, the movement began as a small student protest of Yanukovych's decision to back out of a long-planned Association Agreement with the European Union. Yanukovych's overtures

[399] The election was again contested with 50% of seats allotted according to national party lists under proportional representation, and 50% in single member districts.

toward the European Union were likely part of his "hedging" strategy, designed to maintain a modicum of public support beyond his political base in the east, and secure the continuing assistance of international donors. Presumably under pressure from Russia to join its incipient "Eurasian Union," a competing trade project, Yanukovych suspended negotiations with the EU, prompting journalist Mustafa Nayyem to use Facebook to call for protests on Kyiv's *Maidan Nezalezhnosti* (Independence Square).[400] After several days, police dispersed this relatively small, nonviolent student protest by force, serving only to provoke a protest escalation, with organized student groups, civil society organizations, and political party activists occupying the Maidan and securing a tent city with barricades.

Over the next two months, the protests also drew hundreds of thousands of citizens in Kyiv to the Maidan, with the largest numbers appearing on weekends and for deliberately organized political rallies, as was the case with the January 2014 rally against the so-called "dictator laws," a series of laws rammed through parliament specifically designed to give police a pretext to arrest protestors.[401] In response, the Euromaidan

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[400] The Maidan was a clear focal point for protest coordination, due to its central location, and its history as the site of several prominent protest movements, including the "Ukraine without Kuchma" protests in the early 2000s and the Orange Revolution in 2004. In 2014, the Maidan and its adjacent Khreshchatyk street were already being used as the site of a tent city for *Batkivshchina* activists protesting the imprisonment of Tymoshenko.

[401] While several of these provisions, such as media censorship and criminalizing defamation and the collection of information on state employees, were very serious infringements on basic democratic freedoms, others were comically misguided and drew an ironic response from protestors. The laws, for example, prohibited collections of more than five cars, an obvious attempt to criminalize the Automaidan movement, a mobile contingent of the movement that would travel to officials' residences to protest. Protesters responded to a provision prohibiting masks and headgear (apparently an attempt to target the Euromaidan self-defense forces, who provided security for the tent city, often wearing helmets, ski masks, and sports equipment padding) by wearing colanders to ensuing rallies.

promoted an enormous rally the following day, drawing hundreds of thousands of citizens to Maidan, and leading to the first deaths of the protests when the more radical contingent of the protestors[402] attempted to storm the parliament and other government buildings after what protesters judged to be a weak response from Klitschko, Yatsenyuk, and Tyanhnybok, the political opposition leaders.

Finally, the protests culminated a month later on February 18th, when the parliament refused to consider conditions of an agreement between Yanukovych and the Euromaidan political opposition, especially the return to the 2004 constitution that would devolve power from the presidency. In response, protestors again advanced toward the *Rada* and government buildings. In response, leading to fighting between special police units and protestors in central Kyiv. On February 19th, police units again attempted to clear the Maidan by force, killing dozens of protestors in the process. On February 20th, with the assistance of international mediators, Yanukovych and the political opposition reached an agreement to end the crisis, although it was subsequently rejected by more radical protesters, who threatened more violence if Yanukovych did not resign. Mysteriously, Yanukovych departed the country overnight, and the security services abandoned their posts en masse, leaving the political opposition free to implement the terms of the political agreement and form a transitional government under acting President Oleksandr Turchynov and Yatsenyuk as Prime Minister, both from the *Batkivshchina* party.

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[402] Largely the Euromaidan self-defense units, composed in part of paramilitary Ukrainian nationalist groups.

Politically, although the Euromaidan protests produced a regime transition, the process was not characterized by any significant coordination either between political elites, or between the political parties and civil society activists groups. In fact, as collections of familiar political elites, many of whom were part of the Yushchenko-Tymoshenko coalition that disappointed Orange Revolution participants, the political parties were beset by coordination and credible commitment problems with regard to regime negotiations, with no single politician emerging as a clear leader, and none of the opposition politicians able to speak for protest participants outside their own party activists. In contrast to Georgia, where Saakashvili's National Movement drew support from elites outside the party by winning elections by mobilizing external constituencies, Ukraine's major opposition parties, specifically UDAR and *Batkivshchina* were successful both in the 2012 parliamentary elections and in the Euromaidan protests primarily because they were elite parties supported by major economic patrons like Poroshenko and Kolomoisky, who also provided financing and logistical support for the protests. As a result, the politicians associated with these parties were responsive primarily to these patrons in the post-Euromaidan political environment.

Opposition Coordination in the Euromaidan Protests

Notably, the Euromaidan protest movement was conducted largely without the coordination of opposition groups, either between political elites, or between these

politicians and the protester groups they purported to represent. In the sense of elite coordination, therefore, the protest movement largely resembled both the Orange Revolution and the Rose Revolution, both of which were initially characterized by rivalries between the major opposition politicians. However, the distrust of political parties and their leaders by the Euromaidan protestors was a point of contrast with Georgia, where Saakashvili was able to draw on an ideological affinity with the main activists groups to emerge as the central elite protest leader.

First, at the elite level, the major political representatives of Euromaidan were relatively uncoordinated. Indeed, the largest parliamentary party among the opposition, *Batkivshchina*, itself served as an umbrella for competing factions, including Tymoshenko's core party activists, Yatsenyuk's Front for Change, and several smaller parties. Similarly, UDAR encapsulated elite networks associated with Yushchenko, many of whom had long-running conflicts with Tymoshenko and her associates in *Batkivshchina*. Finally, *Svoboda*, the most clearly ideological of the opposition parties represented at Euromaidan, espoused a right-wing Ukrainian nationalism and had little in common, other than its opposition to Yanukovych, with the more pragmatic opposition parties.[403] Finally, the leaders of the political opposition served mainly as negotiators with Yanukovych. Although the parties helped organize logistical and financial support, especially through sympathetic oligarchs and smaller scale business owners, protests and

[403] *Svoboda's* leader Oleh Tyahnybok was expelled from Yushchenko's Our Ukraine faction in 2004 for anti-semitic remarks.

rallies were initiated by activist groups, many of whom distrusted political parties as opportunists co-opting the protests.[404]

Indeed, this disconnect between the Euromaidan protestors and the political parties impeded the political opposition's ability to credibly commit to bargains with Yanukovych. The political opposition reached a series of deals over the course of the protests, all of which were rejected by the Euromaidan activists and crowds. In two prominent examples, Klitschko bore the brunt of the protesters' displeasure following negotiations with Yanukovych. In a large rally following the passage of the "dictator laws" in January 2014, protestors attempted to storm the government building sector, after a particularly weak response by the opposition politicians. As Klitschko attempted to reason with the crowd, a protestor sprayed him with a fire extinguisher. Later, after several days of violence culminating in the the February 21 agreement, Klitschko was booed off the Euromaidan main stage after apologizing to the crowd for shaking hands with Yanukovych.

This disconnect between the protestors and the political opposition persisted through the power transition. While prominent activists Yehor Sobolev and Tetyana Chornovol were appointed heads of the Lustration Committee and Anticorruption Committee respectively, both new posts in the first Yatsenyuk government, ministerial appointments were generally reserved for party elites or technocrats. Only later, in

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[404] Chapman, Annabelle "Ukraine's Big Three." *Foreign Affairs*. Accessed June 30, 2015. https://www.foreignaffairs.com/articles/ukraine/2014-01-21/ukraines-big-three.

advance of the October 2014 parliamentary elections, did the major political parties include some some prominent activists on their party lists.

The Euromaidan Protests and the Institutionalization of Competition

The Euromaidan protests, therefore, were represented by the leaders of political parties that were aggregations of familiar elites, and who did not incorporate activists from the reform constituencies that emerged during the protest process. This disconnect between party elites and the protest constituencies they purported to represent led to the familiar elite politics during the regime transition and in the process of institutional selection.

Return to the 2006 Constitution

The return to the 2004 constitution[405] was a central bargaining chip within the Ukrainian opposition at least since the alliance of Yatsenyuk's Front for Change and *Batkivshchina*. Indeed, with the 2010 Constitutional Court ruling that nullified the 2004 constitutional amendments, Ukraine returned to a "single-executive" constitution, under which formal power, especially appointment power, was concentrated in the presidency inhabited by Yanukovych. With his increasing attempts to concentrate power and

[405] Recall that the 2004 constitutional amendments were a condition of the settlement of the Orange Revolution crisis, and did not take effect until 2006.

resources in the hands of his associates and allies in the Party of Regions, a central goal of the opposition became to reduce the power of the presidency. The fallback for achieving this goal was a mutual commitment to restoring the 2004 constitutional amendments. Indeed, as a condition of the incorporation of Yatsenyuk's Front for Change into *Batkivshchina* in 2012, Yatsenyuk demanded a return to the 2004 constitution in exchange for his promise of support for Tymoshenko in the scheduled 2015 presidential election.[406] Furthermore, the return to the 2004 constitution was a central demand of both the political parties and activists throughout the 2013-2014 Euromaidan protests.

Recall from Chapter 3 that constitutional arrangements of executive power shape patterns of clientelistic political competition by providing signals to political and economic elites about which network is currently strongest (the information effect) and which network will be strongest in the future (the focal effect) (Hale 2011). In Ukraine the 2004 amendments to the Ukrainian constitution that took effect in 2006, and again in 2014, created a "dual-executive" framework, in which the president and prime minister possessed roughly equal formal power, including respective powers of appointment (Hale 2011). This framework effectively removed the focal effect advantage of the presidency, won by Petro Poroshenko in May 2014. In other words, Yatsenyuk's occupancy of a

[406] Yatsenyuk also left open the possibility of adopting a different constitution altogether, provided the end result was a weakened presidency. Leshchenko, Serhiy, "Arseniy Yatsenyuk may replace Yuliya Tymoshenko," *Ukrainskaya Pravda,* 03/02/212. Accessed via World News Connection, "Ukraine's Opposition Plans Detailed," 03/07/2012 [http://wnc.eastview.com/wnc/article?id=40022339] accessed 06/20/2015.

similarly powerful premiership signaled that both networks would have ongoing access to resources associated with state positions.

Specifically, the 2004 constitutional amendments transferred the power to appoint and dismiss the government to the prime minister. Under the political agreement of February 21, the president would retain the power of nomination of the Ministers of Defense and Foreign Affairs, along with the power to appoint regional administrators, while the power to nominate candidates to the other ministerial positions would transfer to the prime minister. Once again, the adoption of the 2004 constitutional amendments in Ukraine served to institutionalize a state of political competition between erstwhile political allies that impeded public sector reform efforts. Given the resulting uncertainty about whether the Poroshenko/Klitschko network or the Popular Front network would be more powerful in the future, elites associated with both networks have been reticent to undertake measures that would meaningfully deprive state positions of their value in securing the loyalty of supporters, or in peeling off supporters of the competing network.

Parties and Elections After the Euromaidan

The February 21 agreement would therefore have consequences for the ensuing anticorruption reform efforts by institutionalizing a state of competition between competing clientelistic networks. Indeed, in the period between the Euromaidan revolution and the 2014 parliamentary elections, the major clientelistic networks and their associated political parties, returned to a state of political competition, with these

networks reorganizing themselves around political elites according to control of the dual executive offices. First, oligarch and Euromaidan supporter Petro Poroshenko emerged to win the pre-term May 2014 presidential election. Following his victory, UDAR withdrew from the governing coalition in the *Rada*, leading Poroshenko to call snap parliamentary elections. In advance of the elections, political parties underwent yet another reconfiguration, with Klitschko subsuming UDAR under Poroshenko's eponymous electoral alliance. Meanwhile, newly freed from prison, Tymoshenko performed poorly in the presidential election, signaling the decline of her popularity and the influence of her network, and prompting Yatsenyuk and several key party elites to split from *Batkivshchina* to form a new party, the Popular Front.

Given that both of political blocs were effectively a rebranding of the same set of elites, many of whom have a demonstrated history of switching parties in order to maintain access to resources, the February 21 agreement, by providing dual-executive sources of patronage has continued to incentivize the use of state positions to reward political and economic supporters. Indeed, the post-parliamentary elections political environment has been characterized by political conflict between the clientelistic networks associated the individuals occupying Ukraine's dual executive positions—Poroshenko in the presidency, and Yatsenyuk in the premiership.

The First Yatsenyuk Government

Ukraine's first post-Euromaidan government, headed by Yatsenyuk as Prime Minister, was generally regarded as transitional. Following the political agreement on February 21, the *Rada* voted, with the defection or abstention of MPs in the ruling coalition, to implement the terms of the agreement, including the reinstatement of the 2004 constitutional amendments, pre-term presidential elections, the suspension of Interior Minister Vitaliy Zakharchenko. When the Euromaidan protestors rejected the agreement, calling for the resignation of Yanukovych and the arrest of Zakharchenko, Yanukovych fled the country, leading the *Rada* to implement another series of initiatives that included amending the criminal code to free Yulia Tymoshenko, impeaching Yanukovych, and appointing as interim president Oleksandr Turchynov, Tymoshenko's political ally and *Batkivshchina* member. On February 27, the *Rada* overwhelmingly approved a new coalition government, with Yatsenyuk as Prime Minister, and composed of a mixture of *Batkivshchina* and *Svoboda* representatives, non-political technocrats, and Euromaidan activists.

The composition of the first Yatsenyuk government reflected the patterns of clientelistic political competition that would emerge after Euromaidan. Presumably secure with a newly empowered government, Yatsenyuk accepted the post of Prime Minister, and *Batkivshchina* representatives were placed in several politically valuable positions, including the Justice Ministry, the Ministry of Internal Affairs, the Ministry of Energy, and the Ministry of Social Policy. *Svoboda* gained two relatively minor portfolios in the Ministry of Agriculture and the Ministry of Environment. The *Rada* also attempted

to placate Euromaidan activists through appointments to two new portfolios—Yehor Sobolev to the Lustration Committee, and journalist Tetyana Chornovol to the Anticorruption Bureau[407], as well as Dmitro Bulatov, organizer of the AutoMaidan protests, to the post of Minister of Youth and Sports. Finally, the first Yatsenyuk government included a cohort of technocrats, including Oleksandr Shlapak as Minister of Finance, Pavlo Sheremeta as Minister of the Economy and Trade[408].

The 2014 Presidential Election

Notably, the third major party represented at Euromaidan, Klitschko's UDAR, declined to participate in the government, perhaps anticipating the pre-term presidential election mandated by the February 21 agreement. Indeed, following the Euromaidan protests, with Yatsenyuk taking the re-empowered post of Prime Minister, Klitschko was the early favorite for the pre-term May 2014 presidential elections.[409] However, in March 2014, Klitschko withdrew from the presidential race, throwing the support of UDAR

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[407] In December 2014, Chornovol was beaten nearly to death, allegedly for her investigative reporting on officials associated with Yanukovych. When Yanukovych fled, the YanukovychLeaks project collected documents from his personal estate, including a target list that included Chornovol and a dossier with her personal information.

[408] Sheremeta later resigned, citing frustration with the pace of reforms.

[409] Immediately following Euromaidan, Tymoshenko, although freed from prison, indicated she would not seek either the premiership or the presidency, although she later reversed course, announcing her candidacy for the presidency in March 2014. The other major Euromaidan political leader, Oleh Tyanhnybok, as head of the right-wing Ukrainian-nationalist *Svoboda* party, was generally not politically viable outside of Ukraine's western regions.

behind Poroshenko,[410] the pro-Euromaidan oligarch that had previously been a core supporter of former president Yushchenko and his Our Ukraine coalition. Although Poroshenko avoided participating in the political negotiations around Euromaidan, he provided financial support and favorable media coverage via his Channel 5 television station, contributing to his public popularity. While over 20 candidates contested the presidential election, Poroshenko won the first round outright with approximately 55% of the vote.[411]

Party Development and The 2014 Parliamentary Elections

The May 2014 presidential election, therefore signaled the strength of Poroshenko and his political network relative to Tymoshenko, his old Orange coalition adversary. However, with Yatsenyuk also representing Tymoshenko's *Batkivshchina* party as Prime Minister, the political environment following the presidential election was still characterized by a rough balance of power between the two main clientelistic networks within the Euromaidan coalition. Furthermore, with a *Rada* elected in 2012, and still composed largely of parliamentarians associated with the discredited Party of Regions and KPU, there was still significant uncertainty about which elites would maintain access

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[410] Klitschko ran for mayor of Kyiv in the concurrent local elections, winning convincingly. The conditions of his support of Poroshenko for president have been the subject of much hearsay, not the least of which was from oligarch Dmitro Firtash, who claimed in an extradition hearing in Austria that he brokered the agreement between Klitschko and Poroshenko in March 2014, which both men have denied.

[411] Tymoshenko placed second, with just over 12%.

to state positions over the medium to long-term. Indeed, in order to force pre-term elections, Klitschko's UDAR and *Svoboda* left the ruling coalition, leading Yatsenyuk to resign as Prime Minister, and Poroshenko to call early elections for October 2014.

These early elections provided one opportunity for political elites to incorporate external constituencies in the political process. Indeed, both Poroshenko and Yatsenyuk developed new parties in order to contest the elections. However, these efforts largely consisted of rebranding the electoral alliances that represented their underlying clientelistic networks. As re-brandings of previously existing political blocs, Poroshenko's eponymous political bloc and Yatsenyuk's Popular Front party are the result of a strategy to aggregate existing clientelistic parties, although both included prominent civil society activists on their electoral lists. In this sense, both are similar to Yushchenko's Our Ukraine and Tymoshenko's *Batkivshchina* prior to the Orange Revolution. In fact, these contemporary parties share considerable overlap in terms of personnel and constituencies with their predecessors.

Yatsenyuk, for example, ostensibly over *Batkivshchina's* decision to let Tymoshenko head the party list in advance of the October elections, split from the party, along with several key elites including Tymoshenko ally Oleksandr Turchynov, former Interior Minister Arsen Avakov, and head of the Euromaidan self-defense forces Andriy Parubiy, to form the Popular Front.[412] The defection of these politically influential elites,

[412] "Yatsenyuk Elected Head of Political Council of Popular Front Party – Congress Decision." *Interfax-Ukraine*. Accessed June 29, 2015. http://en.interfax.com.ua/news/general/222791.html.

along with Tymoshenko's poor performance in the May presidential election, led a significant number of the *Batkivshchina* rank and file members to leave the party for the Popular Front.[413] Similarly, Poroshenko organized an eponymous electoral bloc, composed largely of political elites previously associated with his Solidarity party. In fact, the new Bloc of Poroshenko used the old Solidarity website, and resused, practically word for word, the Solidarity party platform.[414] Furthermore, the Bloc of Poroshenko formally incorporated Klitschko's UDAR in advance of the October 2014 elections. The Bloc of Poroshenko relied heavily on candidates to single member district posts, using the significant financial resources associated with the bloc, and with Poroshenko personally, to support locally popular candidates in these constituencies.[415] Indeed, the Bloc of Poroshenko led all parties contesting parliament with 42 candidates serving as sitting members of parliament.[416]

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[413] Marco Bojcun. "Return of the Oligarchs: The October Parliamentary Elections." *Observer Ukraine*. Accessed June 29, 2015. http://observerukraine.net/2014/11/18/return-of-the-oligarchs-the-october-parliamentary-elections/.

[414] "Poroshenko's Bloc: Old & New Faces." *KyivPost*. Accessed June 30, 2015. http://www.kyivpost.com/content/politics/poroshenkos-bloc-old-new-faces-367554.html.

[415] Ibid.

[416] Tymoshenko's *Batkivshchina* was second, with 27 sitting MPs as candidates.

These two parties dominated the October 2014 parliamentary elections,[417] with the Bloc of Poroshenko winning just under 22% of the list vote and 132 total seats, and the Popular Front winning just over 22% vote and 82 total seats. The upstart *Samopomich* Union finished third in the party list voting with about 11% of the list vote, and added one single mandate district for a total of 33 seats. The Opposition Bloc, a collection of holdovers from the discredited Party of Regions, the populist Radical Party headed by Oleh Lyashko, and the remainder of *Batkivshchina* headed by Tymoshenko also secured party list representation by finishing above the 5% threshold. A series of smaller parties, including *Svoboda*, were also represented through victories in a small number of single mandate districts. Based on the election results, the major pro-Western parties represented on the basis of party lists, including the Bloc of Poroshenko, the Popular Front, *Samopomich*, *Batkivshchina*, and the Radical Party, secured a coalition agreement that established a majority of at least 288 seats.[418] On the basis of the coalition, the parties agreed to form a government on the basis of a quota system, with Poroshenko nominating Yatsenyuk as Prime Minister, and ministerial portfolios allocated according to electoral

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[417] The elections were again conducted under a mixed proportional representation with a 5% threshold and majoritarian system, withe 225 seats contested via national party lists and 196 via single mandate districts ("General Official Results of Rada Election." *Interfax-Ukraine*. Accessed June 30, 2015. http://en.interfax.com.ua/news/general/233747.html). Due to Russia's annexation of Crimea and the ongoing war in the Donbas region, elections were not held in 27 electoral districts in Crimea, Donetsk, and Luhansk ("Popular Front 0.33% ahead of Poroshenko Bloc with All Ballots Counted in Ukraine Elections - CEC." *Interfax-Ukraine*. Accessed June 30, 2015. http://en.interfax.com.ua/news/general/233404.html).

[418] RFE/RL. "New Ukraine Coalition Agreed, Sets NATO As Priority." *RadioFreeEurope/RadioLiberty*, November 21, 2014, sec. Ukraine. http://www.rferl.org/content/ukraine-parliament-coalition-agreement/26703123.html.

performance.[419] In practice, this gave the bulk of ministerial nominations to Poroshenko and Yatsenyuk.

In this sense, the post-Euromaidan political environment in Ukraine very much resembled that following the 2004 Orange Revolution. Specifically, two major parties, serving primarily as electoral umbrellas for pre-existing clientelistic networks of political and economic elites, have coordinated around respective formal executive offices with roughly equal power. With Yatsenyuk taking the post of prime minister immediately following Euromaidan, his political network, represented at first by the *Batkivshchina* party, but later splintering to form the Popular Front, has maintained a power base centered on the premiership. Meanwhile, a distinct network has congealed around Petro Poroshenko in the presidency. Following the Euromaidan protests, Klitschko, as the early favorite in the pre-term 2014 presidential elections, decided not to contest the election and threw his support behind Poroshenko. While Klitschko won the 2014 Kyiv mayoral election, his UDAR party, a similarly clientelistic aggregation of existing elites contested the October 2014 parliamentary elections on the list of the Bloc of Poroshenko, an electoral umbrella that itself was a re-branding of Poroshenko's "virtual" Solidarity Party. In Hale's (2011) terms, therefore, formal institutions in Ukraine after 2014 provided little in terms of marginal information effects (signals about which network was strongest) or focal effects (signals about which would be strongest in the future. This environment, in which competing clientelistic parties retain access to state resources associated with

[419] Bershidsky, Leonid. "Ukraine's Truly Foreign Ministers." *BloombergView*, December 3, 2014. http://www.bloombergview.com/articles/2014-12-03/ukraines-truly-foreign-ministers.

executive positions, impedes the political principals' ability to commit to public sector reform.

Factors Facilitating Reform

However, two features distinguish the post-Euromaidan political environment from that following the Orange Revolution in Ukraine. First, although competing networks are centered on roughly equally powerful executives, these networks are relatively insulated from short-term political competition. With presidential and parliamentary both held in 2014, the next scheduled elections will be held in 2019, giving both groups some cover in which to forgo short-term political benefits in favor of reform. Second, the 2014 *Rada* is characterized by a higher degree of externally mobilized constituencies than any of the parliaments during the Yushchenko presidency. The emerging *Samopomich* party, built largely on the basis of NGOs, activist groups, and small and mid-sized business constituencies in Lviv expanded its national reach, winning a small, but influential role in the governing coalition. Furthermore, even if for strictly instrumental electoral purposes, both the Popular Front and Bloc of Poroshenko included prominent journalists and Euromaidan activists on their party lists, giving these individuals a high profile platform through which to advance legislation and criticize corruption and political patronage in the coalition government.

ELECTORAL TIMELINES

One characteristic that distinguished Ukraine in 2014 from Ukraine in 2005 was the extension of electoral timelines. Recall that following the Orange Revolution, two caretaker governments under Yulia Tymoshenko and Yuriy Yekhanurov were forced immediately into electoral competition, with parliamentary elections approaching in under 18 months. In Ukraine in 2014, the ouster of Yanukovych during a non-presidential cycle forced the immediate holding of new presidential elections in March. Upon his election as president, Poroshenko called snap parliamentary elections, held later that year in October. As a result, neither the president nor parliament are scheduled for new elections until 2019. After a short period of political instability, therefore, the president, and the 2015 *Rada* and government were able to operate without imminent electoral pressures.

In this sense, the current electoral timelines in Ukraine more closely resemble the electoral environment in Georgia under Saakashvili, who largely avoided political pressures in his first term, facilitating a credible commitment to reforms. With both presidential and parliamentary elections held in 2014 in Ukraine, Poroshenko and Yatsenyuk enjoyed a degree of electoral insulation that was not available to Yushchenko and Tymoshenko in 2005, with parliamentary elections scheduled for 2006. Under a five year term, the next presidential and parliamentary elections are both scheduled for 2019 in Ukraine.

However, the current governing coalition is not completely insulated from political competition. Indeed, given the fact that dual-executive positions are inhabited by representatives of competing networks, the focal effect (that is, the signal to elites about which network is likely to be strongest in the future) is negligible. In other words, since both the Poroshenko and Yatsenyuk networks appear capable of winning equally powerful executive offices, both sets of party leaders have been reticent to forgo the use of state positions at their disposal. Indeed, while political competition between the Poroshenko and Popular Front networks is less acute since formal elections are not imminent, the networks still compete through informal clientelistic means, especially by contesting access to state positions. Less abstractly, although the holding of presidential and parliamentary elections in the same year has mitigated short-term electoral pressures, pre-term elections are still a possibility. Hypothetically, the collapse of the ruling coalition could lead to the president dissolving the *Rada* and calling new elections. Some analysts also suspect that the oligarchic supporters of the coalition members, including Kolomoisky, Firtash, and Serhiy Lyvochkin of the Opposition Bloc (formerly of the Party of Regions), may be angling for a "reset" of the parliament by collapsing the coalition and forcing pre-term elections.[420] Kolomoisky, in particular, responded to Poroshenko's efforts to reduce his political influence by starting a new political party.[421]

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[420] Holmov, Nikolai. "Local Elections 2015.....or Not." *OdessaTalk*. Accessed June 4, 2015. http://www.odessatalk.com/2015/03/local-elections-2015-or-not/).

[421] "Люди Коломойського Планують Створити Партію 'Укроп.'" *Українська Правда*. Accessed June 29, 2015. http://www.pravda.com.ua/news/2015/06/3/7069941/

INCORPORATION OF REFORM CONSTITUENCIES IN THE PROCESS OF TRANSITION

The Poroshenko Bloc and Popular Front

A second characteristic that distinguished 2014 Ukraine from the post-Orange Revolution reform effort was the increased incorporation of external constituencies into formal political parties. The two major parties, the Popular Front and the Bloc of Poroshenko, included prominent journalists and activists on their party lists in advance of the October 2014 parliamentary elections. For example, the Bloc of Poroshenko included about a dozen journalists and activists with no previous political experience, investigative journalists Serhiy Leshchenko and Mustafa Nayyem, as well as Svitlana Zalishchuk, the head of the *Chesno* (Honestly), an anticorruption NGO.[422] This activist cohort comprised approximately 6% of the Bloc of Poroshenko's party list of 200 candidates.[423] The Popular Front, likewise, included journalist and activist Tetyana Chornovol, widely known for her investigative reports on Yanukovych associates, who had recently been beaten nearly to death, presumably for her coverage.

However, the incorporation of these individuals clearly served a short-term electoral goal. The parties awarded these list positions to high profile individuals, in order to draw on their popularity with the public, rather than meaningfully incorporate large numbers of activists or other constituencies that are capable of acting as a cohesive group

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[422] "Poroshenko's Bloc: Old & New Faces." *KyivPost*. Accessed June 30, 2015. http://www.kyivpost.com/content/politics/poroshenkos-bloc-old-new-faces-367554.html.

[423] Ibid.

in order to hold party elites accountable to collective goals. However, through these parliamentary positions, this activist cohort is able to exercise some political influence on party elites, through the introduction of legislation, control of parliamentary committees, and public criticism.

Samopomich

A second source of the mobilization of external constituencies in advance of the 2014 parliamentary elections was Sadovyi's *Samopomich*. During the post-Euromaidan parliamentary campaign process, *Samopomich* successfully expanded its appeal beyond Lviv. During and after the Euromaidan protests, *Samopomich's* electoral strategy focused not on constructing elite-level alliances, but on building popular support outside Lviv. Unlike UDAR, *Batkivshchina*, and *Svoboda*, *Samopomich* did not take part in the Euromaidan protests under the party banner, although Sadovyi endorsed the protests and party activists participated in the protests.[424] Politically, *Samopomich's* first attempt to extend its influence beyond Lviv was its participation in the May 2014 Kyiv city council elections. While Klitschko's UDAR party dominated the Kyiv local elections, winning 73 of 120 available seats, and Klitschko himself winning the mayoral election, *Samopomich* solicited feedback from Kyiv residents in developing its party list, and finished third in

[424] According to the party website, this was a deliberate refusal to use the popular protest movement to advance its own political brand ("History," official website of *Samopomich* Union [http://samopomich.ua/en/history/] accessed 06/20/2015).

the election with 5 seats and almost 7 percent of the vote, beating out established, national level parties like *Batkivshchina* and *Svoboda*.[425]

The *Samopomich* trial run in the May 2014 local elections in Kyiv payed dividends in the October 2014 snap parliamentary elections, which the party contested nationwide. *Samopomich* adopted the same party list strategy as it did in the Kyiv city council elections, opening its party lists to recommendations from the public. The party outperformed expectations, finishing third in the parliamentary elections with almost 11% percent of the proportional representation vote and 32 seats, behind the Bloc of Poroshenko and Yatsenyuk's Popular Front.[426] Unsurprisingly, *Samopomich* performed best in the far-western, more Ukrainian nationalist regions of Lviv and Ivano-Frankivsk. However, it also performed relatively well across the country, winning between five and ten percent of the vote even in Ukraine's eastern and southern regions. Most surprisingly, perhaps, *Samopomich* received its best result in Kyiv, winning over 20% of the party list vote. Again, *Samopomich* achieved electoral success largely without the support of Ukraine's typical oligarchic economic patrons or established political figures, relying on a party list composed almost entirely of young private-sector professionals and civil society activists.

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[425] The Radical Party headed by Oleh Lyashko, widely regarded as a populist party, came in second, garnering seven seats ("В Киевсовет Проходят 9 Партий - Официальные Результаты." *Украинская Правда*. Accessed June 21, 2015. http://www.pravda.com.ua/rus/news/2014/06/3/7027904/).

[426] *Samopomich* also won a majoritarian seat, for a total of 33 seats.

Stage 3 Conclusion

The adoption of the 2004 constitutional amendments by erstwhile Euromaidan allies has therefore institutionalized a state political competition between clientelistic networks and their associated political parties, the Bloc of Poroshenko and the Popular Front, in the latest iteration. In this sense, Ukraine in 2015 largely resembled Ukraine in 2005—loosely organized political parties served primarily as electoral umbrellas for clientelistic networks organized around the inhabitants of equally powerful executive offices. Within this environment, the networks centered on both Poroshenko and Yatsenyuk have been reluctant to implement reforms that would de-privatize state positions, depriving them of important tools of clientelistic competition. Two factors, however, have mitigated this use of state positions as political tools, relative to the post-Orange Revolution environment. First, the February 21 agreement led to the holding of presidential and parliamentary elections in the same year, providing some electoral insulation for the main political parties. Second, within this relatively insulated environment, the externally mobilized constituencies in the *Rada* within *Samopomich* and the activists included on the 2014 election party lists of the major elite parties have acted as a check on the use of state positions for personal interests.

Stage 4: Governing

The party building strategies of the ostensible reformers that emerged from the Euromaidan revolution would therefore exert exogenous effects on public sector reform outcomes through the process of institutional selection. Again, Poroshenko and Yatsenyuk, the eventual President and Prime Minister in post-Euromaidan Ukraine, contested elections using political parties that were aggregations of pre-existing political and economic elites. Since the opposition to Yanukovych was not coordinated in cohesive programmatic or ideological parties, the elites associated with each were susceptible to Ukraine's old patterns of clientelistic competition. As such, as part of the compromise to end the Euromaidan crisis, the main opposition parties advocated a return to Ukraine's 2004 constitution, which created a rough balance of formal power between the president and prime minister that facilitate competition between the two main clientelistic parties—the Bloc of Poroshenko and the Popular Front.

In this sense, the 2004 constitution again crystalized a state of political competition between clientelistic parties, creating an incentive to maintain the use of public positions for private economic and political gain. However, the Yanukovych presidency and the Euromaidan protests also saw the increased mobilization of external constituencies, both through the emerging *Samopomich* political party, and through the incorporation of activists onto the lists of the major parties. The influence of these

constituencies, combined with the extended electoral timelines caused by pre-term presidential and parliamentary elections mitigated these electoral pressures, allowing the main political principals some room to forgo the short term benefits of public sector positions and make meritocratic appointments, and to prioritize public goods at the expense of targeted exchanges. Specifically, the second Yatsenyuk government beginning in November 2014 incorporated several apolitical ministers not associated with either party. Furthermore, in the absence of imminent electoral pressures, the *Rada*, the president, and the government have been able to give increased priority to public goods policies, although the parties generally have not demonstrated a mutual commitment to public sector reform in the policy agenda.

Appointment Strategy

One central feature that has distinguished the post-Euromaidan Yatsenyuk government from the post-Orange Revolution governments has been the appointment strategy. Given a relatively favorable political environment with long electoral timelines, Poroshenko and the Yatsenyuk government have been able to commit to relatively apolitical, meritocratic appointments to ministerial and deputy-level positions in the central government and in regional administrations.[427]

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[427] This section largely focuses on the second Yatsenyuk government, in power from December 2014 to the present time of writing (June 2015). The first Yatsenyuk government, in power from February 2014 after the Euromaidan revolution to November 20014, was widely perceived to be transitional. Cabinet posts in the first Yatsenyuk government were roughly split between *Batkivshchina* and *Svoboda*, as two of the most prominent former opposition parties and Euromaidan participants (UDAR declined to participate in the government), with several technocratic appointments also.

Most notably, the second Yatsenyuk government from late 2014 to present is populated by a prominent cohort of foreigners in politically valuable ministerial positions. While the cabinet positions were allotted on a quota based on the respective electoral performance of members of the ruling coalition, the coalition partners were able to commit to appointments of ministers who were not members of their political bloc. The Bloc of Poroshenko,[428] for example, proposed three foreigners for ministerial positions in its quota, including American hedge fund manager Natalie Jaresko for Finance Minister, Lithuanian investment banker Aivaras Abromavicius as Minister of Economic Development and Trade, and former Georgian Minister of Health, Labor, and Social Affairs Alexander Kvitashvili as Minister of Health. Each was granted Ukrainian citizenship for the purposes of accepting these appointments.

The finance ministry, in particular, has a central political tool for political incumbents in Ukraine. The finance ministry is responsible for state budget, state customs, and tax inspection and enforcement, making it both a source of patronage to reward supporters, and of selective enforcement to coerce the political opposition. Recall, for example, that Kuchma relied on preferential import and export licenses to reward political supporters, while using the tax inspectorate to gather information on potential political opponents. The tax inspectorate has also been a target for economic elites wishing to purchase information on business competitors (Shelley 1998)654, often for the

[428] Not to be confused with Poroshenko himself, who, as president, was individually responsible for the nomination of the Ministers of Defense and Foreign Affairs.

purposes of corporate raiding.[429] The finance ministry is therefore a potentially valuable political tool that the Poroshenko bloc has forgone by appointing Jaresko as a technocrat and political outsider. Indeed, Jaresko has been responsible for several reform efforts under her jurisdiction, including reform of the state tax structure, development of the state budget, and has been instrumental in pushing for reforms recommended by major international donor agencies.[430]

Similarly, the Ministry of Economic Development and Trade, now led by Aivaras Abromavicius, is another valuable political tool for incumbents. In particular, the ministry is a powerful regulatory agency, and oversees public procurement, a central source of corruption in the state administration in Ukraine.[431] While Aivaras's position is arguably partly technocratic, responsible for macroeconomic stabilization reforms and as at the primary point of contact for international donors, control of business regulations and trade policy are significant levers through which Poroshenko might otherwise be able to secure the support of political or economic elites.

Ukraine's Ministry of Healthcare is also an important potential source of patronage for political incumbents. Ukraine's health care sector is largely state owned,

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[429] For a conceptual and empirical overview of corporate raiding with an emphasis on the history and evolution of the practice in Ukraine, see Rojansky (2014).

[430] Forrest, Brett. "The American Woman Who Stands Between Putin and Ukraine." *Bloomberg.com*. Accessed June 19, 2015. http://www.bloomberg.com/news/features/2015-03-05/putin-s-american-foe-in-ukraine-finance-minister-natalie-jaresko.

[431] "Ukraine's New Government, Explained." *Medium*. Accessed July 1, 2015. https://medium.com/@Hromadske/ukraines-new-government-explained-75cc075cc112.

and has been pervaded with corruption, from preferential drug procurement at the highest levels, to lower-level employees soliciting bribes from citizens to jump queues to receive treatment.[432] Kvitashvili has undertaken a series of reforms aimed at reducing this corruption, primarily through changing hospital funding mechanisms, and changing health sector procurement procedures by outsourcing drug procurement to international organizations, and introducing electronic procurement tenders for other expenditures.[433]

Furthermore, the president and the government have also appointed foreigners to deputy and mid-level positions in the ministries, and to positions in regional administrations. In particular, a cohort of Georgians associated with the post-Rose Revolution reforms have taken jobs at deputy or mid-level positions in the central government, including in the Ministry of Internal Affairs and the Prosecutors office. In February 2015, for example, Davit Sakveralidze, a former deputy prosecutor general in Georgia associated with Saakashvili's crackdown on organized crime, was appointed a deputy prosecutor general under Viktor Shokin, and tasked with reform of the department, including human resources management and European integration.[434] Similarly, Ekaterine Zguladze, formerly of the Georgian Ministry of Justice, has been

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[432] Ukraine spends approximately 4% of its GDP on the health care sector ("Kvitashvili Pledges to Clean up Health Sector, End Corrupt Drug Purchases, Revamp Budget." *KyivPost*. Accessed July 1, 2015. https://www.kyivpost.com/content/business/kvitashvili-pledges-to-clean-up-health-sector-end-corrupt-drug-purchases-revamp-budget-383936.html).

[433] Ibid.

[434] " Georgian Reformer to Spearhead Changes at Ukrainian Prosecutor's Office." *KyivPost*. Accessed June 19, 2015. http://www.kyivpost.com/content/kyiv-post-plus/georgian-reformer-to-spearhead-changes-at-ukrainian-prosecutors-office-380884.html.

responsible for the rollout of series of police report pilot projects as a Deputy Minister of Internal Affairs.

Most prominently of all perhaps, in May 2015, Poroshenko appointed former Georgian President Mikheil Saakashvili to the post of governor of the Odesa *Oblast*.[435] The head of the Odesa regional administration is a politically influential post for several reasons. First, Odesa's ports are a major source of corruption associated smuggling and organized crime.[436] As a result, both the city government and regional administration are important targets for the political cover for these organized crime interests.[437] Second, with the appointment of Saakashvili, Poroshenko sacked Ihor Palytsia, an associate of oligarch Ihor Kolomoisky, leading some to speculate the appointment was part of Poroshenko's effort to marginalize Kolomoisky, either as part of a larger effort to reduce the influence of oligarchs in Ukrainian politics, or as a targeted attack on Kolomoisky and his political allies in the government and the *Rada*. Indeed, Kolomoisky maintains significant business interests in the Odesa region, including the impending privatization of several enterprises, that might be threatened by an unfriendly governor with significant

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[435] Saakasvhili had previously been serving as an advisor to Poroshenko on anticorruption reform issues.

[436] Holmov, Nikolai. "Saakashvili - Odessa Governor." *OdessaTalk*. Accessed June 19, 2015. http://www.odessatalk.com/2015/05/saakashvili-odessa-governor/.

[437] As of June 2105, Odesa city mayor was Hennadiy Trukhanov, a former Party of Regions MP, and whose mayoral campaign in Odesa was financed by Kolomoisky (Holmov, Nikolai. "Opening a Civil Front - Odessa." *OdessaTalk*. Accessed June 19, 2015. http://www.odessatalk.com/2015/06/opening-a-civil-front-odessa/.)

administrative power, including control of the regional budget.[438] As such, Poroshenko's appointment of Saakashvili represents an effort to deprive competing oligarchic interests of political influence, albeit not necessarily in the interest of state building. In any case, in his characteristic style, within days of his appointment Saakashvili embarked on a series of top-down reform efforts, sacking 26 of 28 department heads, and opening the vacancies to a merit-based competition. Saakashvili has also appointed former deputy Minister of Internal Affairs Gia Lortkipanidze to head the Odesa branch Ukrainian Ministry of Internal Affairs, making him responsible for police reforms in the region.[439]

In addition to the appointment of foreigners to politically valuable position in the ministries and at the regional level, Poroshenko and Yatsenyuk have also courted their coalition partner in the *Samopomich* party for ministerial appointments. However, *Samopomich* MPs have consistently demonstrated a commitment to governance without the use of state positions for patronage purposes by declining ministerial level appointments. Party leader Andriy Sadovyi appeared in the fiftieth spot on the *Samopomich* party list for the October 2014 parliamentary elections, virtually guaranteeing he would not represent the party in the *Rada*. He also rejected offers from Prime Minister Arseniy Yatsenyuk to serve as a deputy prime minister, preferring instead

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[438] Saakashvili has announced an intention to personally control the privatization of several enterprises in an effort to avoid corruption or insider deals ("Mikheil Saakashvili Launches His New Career as a Ukrainian Reformer." *Foreign Policy*. Accessed June 19, 2015. http://foreignpolicy.com/2015/06/10/mikheil-saakashvili-launches-his-new-career-as-a-ukrainian-reformer/).

[439] "The Dark Past of Saakashvili's Appointee in Odessa." *Democracy & Freedom Watch*. Accessed June 19, 2015. http://dfwatch.net/the-dark-past-of-saakashvilis-appointee-in-odessa-36360.

to remain in his position as Mayor of Lviv.[440] This rejection of ministerial positions appears to be part of a larger party strategy to win elections on the basis of a grassroots party-building, as opposed using the resources associated with state positions to mobilize voters.[441] Indeed, *Samopomich* MPs have consistently declined offers of nominations to ministerial positions, announcing they would not accept jobs in the government.[442] *Samopomich* deputy Pavlo Kyshkar told the Kyiv Post that the party preferred to work within the *Rada* to pass reform initiatives, asserting that, "…the trust of the electorate is more important than any ministerial seats."[443]

In this sense, as a relatively programmatic party based on a cohesive, externally mobilized constituency, *Samopomich* has helped facilitate a commitment to meritocratic appointments to high level positions. In declining an offer to become a deputy prime minister, for example, Sadovyi recommended Natalie Jaresko, who was also advanced by other parties.[444] Certainly, this strategy to avoid taking ministerial portfolios could be purely instrumental. At least one analyst has suggested the strategy might be an effort to

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[440] "Lviv Mayor Sadovyi Won't Join Government." *KyivPost*. Accessed June 16, 2015. http://www.kyivpost.com/content/kyiv-post-plus/lviv-mayor-sadovyi-wont-go-into-government-373713.html.

[441] As of writing, *Samopomich* was preparing to contest the October 2015 local elections through the grassroots mobilization of NGOs and local initiative groups ("'Samopomich' Is Preparing for Local Elections by Innovative Methods." Accessed June 19, 2015. en/studies-icps/political-competition/samopomich-is-preparing-for-local-elections-by-innovative-methods/).

[442] "Lviv Mayor Sadovyi Won't Join Government.", *Kyiv Post.*

[443] Ibid.

[444] Ibid.

avoid the political blowback of unpopular decisions by the government.[445] However, it does illustrate a central mechanism posited by the theoretical framework—a cohesive, externally mobilized constituency upon which the party was based, is able to constrain prominent elites within the party. Whatever the motivation in declining nominations to high level appointments, the prominent figures within *Samopomich* clearly see themselves as accountable to the party and its core constituency, rather than political and economic elites who might use inducements or coercion to buy legislative support for their individual interests.

Of course, Poroshenko and Yatsenyuk have tended to reserve some politically sensitive posts for their key political allies.[446] Most notably, Yatsenyuk's Popular Front party nominated to the post of Minister of Internal Affairs Arsen Avakov, a former businessman and political ally of Yushchenko and Tymoshenko, having switched loyalties from Our Ukraine to *Batkivshchina* in 2010. Indeed, Yatsenyuk and the Popular Front have tended to appoint associates from the party's predecessors in *Batkivshchina* and the Front for Change. Relatedly, the threat of separatism in the war in Donbas have placed unique political constraints on the president's nomination of local state administration heads in the east and south of the country. For example, in March 2014,

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[445] Ibid.

[446] Under the current Ukrainian constitution, the president nominates candidates for the positions of Minister of Defense and Minister of Foreign Affairs, and also controls nominations of the heads of local state administrations, or "governors." The remaining posts were allotted according to a coalition agreement between the major reform parties ("Ukraine's Parliamentary Parties Initial Coalition Agreement." *Interfax-Ukraine*. Accessed June 3, 2015. http://en.interfax.com.ua/news/general/235527.html). Notably, the coalition agreement appears to have been concluded after the parliamentary election, and so reflected the true post-election environment, which was not necessarily the case with the alleged secret pre-election protocol between Yushchenko and Tymoshenko in 2004.

following the ouster of Yanukovych, interim president Oleksandr Turchynov,[447] appointed oligarch and long-time Orange coalition supporter Ihor Kolomoisky as governor of the Dnipropetrovsk *oblast* in order to stem separatism in the region[448], although Kolomoisky was later sacked by Poroshenko. Indeed, both regional and central positions in the ministries have not been completely depoliticized. As of this writing in June of 2015, Kvitashvili was already targeted for dismissal by the Bloc of Poroshenko, the very party responsible for his appointment.[449]

The Policy Agenda

Finally, the post-Euromaidan political and institutional environment has facilitated some prioritization of public goods in the reform agenda, especially relative to the Orange coalition governments. However, despite imminent economic and security crises, the governing coalition has generally not been able to prioritize a coherent approach to public sector reform. This failure is due in part to the lack of coordinating political parties in the *Rada*. The decision of Poroshenko and Yatsenyuk to rely on a

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[447] Holmov, Nikolai. "Into the Perceived Kolomoiski Vacuum - Ukraine (and Odessa)." *OdessaTalk*. Accessed June 3, 2015. http://www.odessatalk.com/2015/03/into-the-perceived-kolomoiski-vacuum-ukraine-and-odessa/.

[448] Kolomoisky apparently did so with some combination of his control of employment in his enormous financial-industrial holdings in the region, and private security organizations, including privately financed volunteer battalions.

[449] Naturally, the reasons for the attempts to dismiss Kvitashvili is the subject of some debate. Critics maintain his reform efforts have been a failure, a position supported by one representative of the watchdog Anticorruption Action Center organization. In response, Kvitashvili alleges his reform efforts with respect to procurement have threatened the financial interests of some members of the Bloc of Poroshenko (" Poroshenko's Faction Wants to Oust Kvitashvili, Ukraine's Health Minister; He Slams Critics for Financial Self-Interest." *KyivPost*. Accessed July 1, 2015. http://www.kyivpost.com/content/ukraine/poroshenkos-faction-calls-for-resignation-of-kvitashvili-ukraines-health-minister-392380.html).

strategy of aggregating or rebranding existing clientelistic parties exerts exogenous effects on the policy agenda by failing to restrict the use of the state administration for political gain. Lacking any externally mobilized constituencies to monitor party elites' pursuit of individual interests, both Yatsenyuk's Popular Front and Poroshenko's bloc continue to compete over access to state positions, privileging clientelistic practices over public goods provision. This policy approach contrasts with that of Georgia after 2003, in which the cabinet, backed by a relatively cohesive National Movement party in parliament, loosely coordinated top-down reforms by individual ministers.

Poroshenko and Yatsenyuk's government have prioritized some public goods policies at the expense of clientelistic electoral tools. Specifically, in a potentially enormously costly reform, the *Rada* voted to end Ukraine's gas subsidies to households, effectively tripling the cost of gas for citizens. International donor organizations have long decried the subsidies as a distortion to Ukraine's gas market, a drain on scarce budget resources, and a contributor to Ukraine's dependence on Russia.[450] Ukraine has also undertaken a package of 100 reforms that served as the conditions for IMF loans in spring 2015. The package included standard macroeconomic stabilization reforms with regard to inflation, the exchange rate, and the national bank, but also significant reforms

[450] "Ukraine Is Trying to End Its Dependence on Russian Gas at the Worst Possible Time." Accessed June 19, 2015. http://www.businessinsider.com/ukraine-ends-russian-gas-subsidies-2015-3.

to fiscal policy, including eliminating or reducing targeted goods like pensions and subsidies to specific economic sectors.[451]

However, the undertaking of these reforms in response to IMF conditions underscores that the policy agenda in Ukraine after Euromaidan has been shaped primarily by war, economic crisis, and international donors, rather than by political parties and political institutions. That is, the presence of civil society activists on the party lists for the Bloc of Poroshenko or the Popular Front, or the success of the relatively programmatic *Samopomich* certainly have not driven these economic reforms. Indeed, despite these macroeconomic stabilization reforms, and a relatively long electoral timelines, Ukraine has not prioritized public sector reform to the extent that the attention to corruption both within Ukraine and among international donors might suggest. The ongoing competition between Ukraine's political principals and their economic sponsors has prevented the president and the government reticence to make significant reductions in Ukraine's bloated and inefficient public sector.

For example, a group of experts associated with *Vox Ukraine*[452] recommended cutting over 20 ministries and state agencies.[453] Kakha Bendukidze, the coordinator of Georgia's reforms, acting as an advisor to the Ukrainian government, has offered similar

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[451] "IMF Program: Summary before the Review." *VoxUkraine*. Accessed June 19, 2015. http://voxukraine.org/2015/06/19/imf-implementation/.

[452] A pro-Western media outlet for research-based analysis and commentary.

[453] Leonid Bershidsky, "Ukraine's Truly Foreign Ministers." *BloombergView*, December 3, 2014. http://www.bloombergview.com/articles/2014-12-03/ukraines-truly-foreign-ministers.

advice. However, given the role of state positions, especially ministerial portfolios, as bargaining chips in parliamentary coalition agreements, both of the major parties have been unwilling to make such cuts.[454] Indeed, Berskhidsky claims, based on a source within Poroshenko's bloc, that Poroshenko insisted on approval of the October 2014 cabinet as a bloc in order to undermine the authority of Yatsenyuk over the government, in hopes of setting him up for failure and replacement.[455] This sort of political maneuvering comes at the expense of formulating public goods policies,[456] and indeed, prevents coordinated efforts at public sector reform since these positions and the jobs at their disposal are central instruments of political bargaining.

In short, this individual political competition and the need to reward political allies prevents both the president and prime minister from credibly committing to reforms. While political elites have been willing to risk votes in the short term by eliminating targeted goods like subsidies and pensions, as of yet, they are still unwilling to forgo the political power associated with their control of state positions.

Chapter 5 Conclusion

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[454] Ibid. That is, reducing or eliminating unnecessary ministries and agencies would reduce the major parties' ability to buy off coalition partners like the Radical Party of Oleh Lyashko.

[455] Ibid.

[456] Ibid.

To conclude, the post-Euromaidan governments have produced incremental improvements over public sector reform outputs in Ukraine following the Orange Revolution, although the process has been significantly less successful than in Georgia following the Rose Revolution. In terms of the theoretical framework in Chapter 2, this outcome has been the result of a contingent process in which the primary political opposition to Yanukovych relied on a strategy of developing political parties around aggregations of pre-existing political and economic elites. Lacking any underlying collective policy goals or ideology, these distinct networks centered around Arseniy Yatsenyuk first in the *Batkivshchina* party and later in the Popular Front, and Vitaliy Klitschko and Petro Poroshenko in UDAR and Bloc of Poroshenko, remained relatively uncoordinated through the political transition of Euromaidan. As a result, the opposition coalition demanded a return to the 2004 constitution in Ukraine that created a dual-executive framework, and a rough balance of power between the networks centered around the president and the prime minister.

In this sense, the political environment in Ukraine in 2014 closely resembled that in Ukraine following the Orange Revolution in 2005. Two essentially clientelistic networks, centered around executive offices roughly equal in formal power, were unable to credibly commit to forgoing the use of state positions for political purposes. Indeed, despite the most pressing security and economic crises of any of the three cases under examination, Poroshenko and Yatsenyuk have been generally unable to commit to

prioritizing public sector reform, especially in the sense of eliminating public positions as a source of private gain.

However, two factors distinguish the post-Euromaidan environment from the post-Orange Revolution environment in 2005. First, The pre-term departure of Yanukovych from the presidency allowed for the holding of both presidential and parliamentary elections in the same year, providing some insulation from short-term electoral pressures. Within this context, the political principals have some room to trade off the short-term gains from patronage for longer-term benefits of public goods provision, especially public sector reform. Second, external constituencies have been incorporated into the *Rada* to a greater degree relative to the post-Orange Revolution parliaments. Specifically, Andriy Sadovyi's *Samopomich*, composed largely of activists and members of the middle class, has emerged from Lviv to become a national party, while the larger Bloc of Poroshenko and the Popular Front incorporated some Euromaidan activists on party lists, albeit likely for populist electoral purposes.

The political environment, therefore, exerts dual and opposing pressures on the political and economic elite in Ukraine. On one hand, the party building strategies of the two primary political principals, mediated by their selection of a dual-executive constitutional framework, incentivizes the use of state positions for clientelistic political competition, even when it is in elites collective interests to coordinate their commitment to reforms. On the other hand, the Euromaidan revolution created an environment for the

emergence of external constituencies, including the programmatic *Samopomich* party, and the inclusion of Euromaidan activists on the party lists of Bloc Poroshenko and the Popular Front. Although the dominant parties still rely on modes of clientelistic competition, these external constituencies through their parliamentary positions, are able to exercise a moderating influence on their parties' use of state positions for private gain.

Chapter 6: Conclusion

The preceding chapters have argued that the political party development of emerging reformers are critical determinants of public sector reform outputs in highly clientelistic political systems. Specifically, due to the incentives in clientelistic political systems for political elites to misrepresent their reform preferences, even well-intentioned reform elites face difficulty credibly committing to reforms, since they cannot be sure other elites will do the same. Within this context, emerging reformers can establish a credible commitment to reforms by building political parties on the basis of externally mobilized constituencies, rather than drawing on existing political and economic elites for reputation-building and electoral support. Where emerging reformers are able to win elections on the basis of externally mobilized constituencies, they need not rely on existing networks of elites who would otherwise compete for control of state resources, including offices. Reformers that are coordinated in externally mobilized political parties are therefore able to adopt formal political institutions that insulate them from short-term electoral competition, further facilitating a credible commitment to reforms.

In the cases under examination, Mikheil Saakashvili in Georgia was the most successful in this regard. He established his National Movement party largely on the basis of external constituencies, giving him an independent power base upon which to contest the 2003 parliamentary elections, and to force the resignation of incumbent president

Eduard Shevardnadze. Following a series of constitutional amendments that empowered the presidency, Saakashvili and his party were well placed to appoint ministers and high level officials that would introduce sweeping anticorruption reforms, focusing on large-scale staff replacement and enforcement of anticorruption regulations. A contrasting process was evident in Ukraine between 2000 and 2007. In this case, Viktor Yushchenko, as an emerging reform candidate, established Our Ukraine as an electoral bloc that aggregated existing parties in order to contest the 2002 parliamentary elections, and to support Yushchenko in his 2004 presidential bid that spurred the Orange Revolution. Since Our Ukraine was established on the basis of existing elite networks, many of the members of which competed with the personal network of Yulia Tymoshenko, Yushchenko's Orange Revolution ally, these coalition partners adopted a constitution that institutionalized a state of clientelistic political competition between elite networks. As such, none of the major political principals were able to credibly commit to abandoning the use of state positions for political benefits. Finally, the post-Euromaidan reform process in Ukraine from 2014 to present has largely resembled that in Ukraine following the Orange Revolution. Both the president and prime minister head largely clientelistic political parties based on competing networks, limiting the capacity of each to credibly commit to reforms. However, the limited incorporation of emerging reform constituencies, combined with lengthened electoral timelines, have provided some room for political elites to forgo the short-term benefits of patronage and introduce incremental public sector reforms.

This chapter will conclude the analysis by evaluating this argument in the context of several potential alternative explanations, and situating it in the context of the larger literature. First, I provide a concise recapitulation of the theoretical and empirical arguments. Second, I consider these arguments in the context of several compelling alternative explanations.

The Theoretical and Empirical Arguments

Theoretical Framework

To reiterate the theoretical argument advanced in Chapter 2, clientelistic political systems create a series of dilemmas that impede even well-intentioned politicians' attempts to reform corrupt public sectors. Political clientelism, defined here as an electoral strategy in which inducements and punishments are targeted toward individuals and small groups to secure political support (Hale 2011; Kitschelt 2000), facilitates politicians' use of state offices and public sector positions as patronage. In turn, the opportunities for corruption associated with these positions gives politicians an additional tool for inducement, and for coercion through blackmail (Darden 2001; Darden 2008). The notion of public sector reform, therefore, demands that politicians in clientelistic systems surrender a particularly valuable tool through which to secure political support.

Clientelistic political systems therefore create a series of dilemmas for politicians that emerge to represent reform constituencies. Most immediately, clientelistic systems create a politician's dilemma—a tradeoff of the immediate benefits of the use of state positions for patronage purposes for the longer-term, more uncertain benefits of public goods provision (Geddes 1996). In practice, politicians often attempt to mitigate this dilemma with a "hedging" strategy in which they attempt to advertise reforms through formal legislation or regulation without significant enforcement, or through the appointment of officials with reputations for reform. The resulting uncertainty about the underlying preferences of ostensibly reform-oriented candidates exacerbates a coordination dilemma for elites and public sector employees in clientelistic systems, in which they must constantly assess the likelihood of broader elite coordination around particular candidates, so as to maintain access to state resources (Hale 2005b; Hale 2011). Furthermore, where elites judge that coordination will shift to an emerging challenger, they must also assess the likelihood the challenger truly intends to implement reforms. These dilemmas work together to create a problem of credible commitment for reformers that come to power in clientelistic systems—given the nature of clientelistic political competition, even good faith reformers will be reticent to forgo the use of state positions as patronage in the absence of credible information about the willingness of other elites to do the same.

I have argued that political party development is one mechanism through which reform challengers may establish a credible commitment to reform. In order to challenge

incumbents, emerging reformers may choose to build electoral reputations through one of two strategies—they may rely on patron-client brokers with existing electoral machinery, or they may incorporate external constituencies through the use of ideological or programmatic appeals (Keefer 2007; Keefer and Vlaicu 2008; Cruz and Keefer 2010). Where politicians choose to build parties on the basis of externally mobilized constituencies, this cohort serves as a "latent group," in Mancur Olson's terms, holding party elites accountable for pursuing the collective electoral goals of the party, rather than pursuing narrow political or economic interests. In contrast, where challengers build political parties by relying on existing brokers, they lack such a core group capable of constraining the pursuit of individual interests by elite brokers within the party.

Finally, these externally mobilized constituencies facilitate elites' credible commitment to reforms through institutional selection because of the coordinating function of formal institutions in clientelistic political systems. Specifically, the constitutional relationship between executive offices shapes patterns of competition through information effects (signals about which clientelistic network is currently strongest), and focal effects (signals about which network will be strongest in the future). Single-executive constitutions produce both effects, signaling the dominance of one political network at present and in the future, thus facilitating the coordination of elites around that network. Dual-executive constitutions, however, produce two offices approximately equal in formal power, thus minimizing the focal effect. In this case,

politics is likely to be characterized by competing networks centered on these formal executive positions (Hale 2011).

With regard to the process of reform, during the process of transition, where challengers are able to secure a single executive constitutional framework, elites perceive the incoming network to have ongoing access to the resources associated with state positions. In this case, the incoming coalition is insulated from electoral pressures, and elites are better able to commit to forgoing the short term benefits of patronage for the longer-term benefits of public goods provision. In these cases, formal institutions provide cover for reformers to make meritocratic or apolitical appointments to high level positions, and to prioritize public goods in the policy agenda. In contrast, challenging parties that serve to aggregate existing elite networks may produce a competition for formal institutional resources, leading to the adoption of a dual-executive framework that perpetuates political competition between competing networks. In these cases, short term electoral imperatives further impede elites' credible commitment to reform, as even good faith reformers must continue to reward their elite supporters with valuable state positions.

Ukraine 2000-2007

The case of Ukraine's post-Orange Revolution reform efforts best illustrates the latter path. In this case, the emerging reform candidate, Viktor Yushchenko, split with the

ruling party and formed the Our Ukraine electoral bloc in order to contest the 2002 parliamentary elections. Rather than build a new party on the basis of external constituencies, Yushchenko and Our Ukraine served as an electoral umbrella for several established parties, oligarchs, and smaller-scale business figures opposed to incumbent president Leonid Kuchma and various pro-presidential parties. Our Ukraine performed relatively well in the 2002 parliamentary elections, establishing Yushchenko as the favorite to challenge Kuchma's preferred successor, Viktor Yanukovych, in the approaching 2004 presidential elections. With the support of other opposition parties, including a clientelistic network centered on Yulia Tymoshenko's political bloc, Yushchenko won the presidency after a re-run of the second round forced by the Orange Revolution, a popular movement that protested electoral fraud by Kuchma's administration.

Although the opposition cooperated to secure Yushchenko's win in the presidential election, the parties remained essentially aggregations of competing political elites. As such, as part of the compromise to end the Orange Revolution, the opposition agreed to a series of constitutional agreements that devolved several important powers from the president to the prime minister. This dual-executive framework effectively locked competing elites, even those that previously advocated reforms, into a state of ongoing political competition that prevented either the president of prime minister from credibly committing to reforms. Indeed, the appointment strategies of the post-Orange Revolution governments focused on rewarding political supporters, and the policy agenda

prioritized short-term targeted policies at the expense of public goods provision. In short, the post-Orange Revolution political environment prevented elites' credible commitment to reforms.

Georgia 2001-2008

In contrast, the case of Georgia illustrates a path in which a reformer's early party-building strategy led to reform success after a power transition. After moving into political opposition, rather than rely on existing patron-client brokers, Mikheil Saakashvili contested elections via a new National Movement party, developed from scratch on the basis of constituencies previously excluded from politics in Georgia. The National Movement's success in the 2003 parliamentary elections that spurred the Rose Revolution started a process of coordination around Saakashvili and the National Movement, allowing Saakashvili to overwhelmingly win the subsequent pre-term presidential elections, and push through a series of constitutional amendments that empowered the presidency at the expense of parliament and the prime minister. With Saakasvhili winning a strong mandate in a powerful presidency, and the National Movement dominating the subsequent parliamentary elections, reformers were insulated from short term electoral pressures, allowing for the appointment of several apolitical ministers and higher-level officials that would introduce sweeping reforms in their respective agencies. In this sense, Saakashvili's party building on the basis of externally mobilized constituencies introduced a cohesive latent group that constrained elites' pursuit of short term individual interests. The development of the National Movement,

mediated by institutional changes during the Rose Revolution, therefore facilitated Saakashvili's credible commitment to reforms.

Ukraine 2010-Present

Finally, I have argued that following the Euromaidan revolution in 2014, Ukraine has tread a middle ground between these two cases in terms of reform outputs. In this case, both elites' party-building strategies and the institutional environment largely resembled the first Ukraine case study. Indeed, both the post-Euromaidan President Petro Poroshenko, and Prime Minister Arseniy Yatsenyuk, both contested elections with electoral blocs that served to aggregate pre-existing patron-client networks. Again, these networks cooperated during the power transition following the Euromaidan protests, but by agreeing to return to the 2004 constitution, again institutionalized a state of political competition between them.

However, two factors distinguish the ongoing process of reform in Ukraine from the previous opportunities for reform after 2004. First, the period between the 2012 parliamentary elections and the 2013-2014 Euromaidan protests saw the increased incorporation of external constituencies into the political process in Ukraine. In particular, the *Samopomich* Union, a relatively programmatic party based on a regionally-oriented civic organization in Lviv has extended its national reach, performing well in local elections in Kyiv, and winning 33 seats in the October 2014 parliamentary elections.

Furthermore, the two dominant parties in the *Rada*, Yatsenyuk's Popular Front and the Bloc of Poroshenko incorporated a few prominent journalists and Euromaidan activists on their party lists. This increased incorporation of external constituencies has created a small cohort of reformers in the *Rada* who are able to exercise some influence on other MPs, including party members. As a result, the second Yatsenyuk government beginning in November 2014 included several apolitical appointments to ministerial and deputy-level positions, who have implemented some limited reform initiatives. Furthermore, in the context of extended electoral timelines, both the president's and prime minister's parties have prioritized politically unpopular public goods policies, although those have generally been a response to imminent security and economic crises, and have not included large-scale public sector reform.

Alternative Explanations

Taken together, these cases illustrate how early party-building decisions by emerging reformers, mediated by formal institutions can have consequences for the longer term process of public sector reform. However, there are several alternative explanations that might better explain variation in public sector reform outputs both generally, and between these three cases. Indeed, the baseline comparison of Georgia and Ukraine was deliberately selected to control for a wide range of variables that might drive the willingness or ability of politicians to introduce public sector reforms. Structurally, both countries at the time of their respective color revolutions that brought ostensible

reformers to power, were similar in terms of economic development, both in per capita income and in energy resources as a share of the economy. With regard to international security issues, both had a similar relationship with both Russia[457] and the European Union.

Institutionally, their common Soviet legacy left both with similar sets of formal and informal institutions. In particular both inherited legacies of "patrimonial" communism, in which the national Communist Party and the state administration relied on patronage, corruption, and repression to secure political loyalty (Kitschelt et al. 1999, 21-24). This legacy both gave Georgia and Ukraine a common institutional starting point, and distinguishes them from other post-communist cases like the Baltic states, or the former communist states in eastern Europe,[458] which on average were more successful in terms of public sector reform earlier in the process of transition. This form of communism created the conditions in which networks of communist party officials (the *nomenklatura*) were able to capture state resources, including state-owned enterprises, political offices, and positions in the state administration. In neither case was there a decisive break with these officials (Åslund 2001).

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[457] The 2014 Russian invasion and annexation of Crimea, and support of separatist movements in the Donbas will be discussed in more depth in the next section.

[458] Kitschelt, et al (1999, 21-41) distinguish between three types of communist rule—patrimonial communism (most of the former Soviet Union, including Georgia and Ukraine), national-accommodative communism (Hungary, Slovenia, Croatia), and bureaucratic-authoritarian communism (Czech Republic, German Democratic Republic).

Finally, in terms of their reform processes, all three cases followed a similar process of transition, in which ostensible reformers emerged from within the ruling coalition to displace incumbents by representing popular protest movements focused on corruption. Indeed, the Orange Revolution in Ukraine was at least partially modeled on the Rose Revolution a year prior, with activists from the youth movement Pora! receiving training from activists associated with the Georgian *Kmara!* movement, and the Serbian Otpor movement that overthrew Slobodan Milosevic in 2000.[459] Certainly, this comparison is not sufficient to control for variation in the organization, strategy, or tactics of the domestic movements that produced the respective revolutions in these cases, but it does suggest that in all cases, a critical mass of activists and citizens were frustrated with the corruption of incumbent governments, and had a sufficient capacity to hold these governments accountable for their performance in this regard.

I argue, therefore, that the comparison of these two countries suggests that variation in public sector reform cannot be attributed to economic modernization; international security situation;[460] proximity to, or relationship with, Europe; variation in communist legacy; or social movements. Again, given the small sample size, this study is not equipped to engage in hypothesis testing, but the controlled comparison was designed in order to hold these variables constant in order to explore the dynamics of public sector

[459] For more discussion on the diffusion of protest movements in these cases, see Bunce and Wolchik (2011).

[460] Again, some caveats are discussed in detail below.

reform processes, given differences in initial party-building strategies by emerging reform elites.

Despite this controlled comparison, the study design is insufficient to control for all variables that might affect public sector reform outcomes. In particular, these three cases vary in several ways that suggest alternative explanations that might better account for differences in reform outputs in these three cases than party development argument advanced above. In particular, exogenous pressures, including security threats and economic crises might account for greater efforts at public sector reform in the Georgia and post-Euromaidan Ukraine cases. Alternatively, reform outputs might be better explained through differences in the characteristics of individual leaders. Finally, the differences might be explained by structural or institutional factors that drive reformers' party-building decisions, rendering the effect of party development epiphenomenal.

External pressures

One plausible alternative explanation is that exogenous pressures, including pressures of war and economic crises. In the broadest formulation, this argument stems from Tilly's account of state formation as the development of institutions to extract revenue to fund armies facing the threat of war in Europe beginning in the middle ages (Tilly 1993). More specifically, security and economic crises create incentives for erstwhile rival elites to coordinate ideas and institutions in order to ensure their collective

political survival (Smith et al. 2005, 26-27). Under these conditions, elites may cooperate to produce mutually beneficial reforms, either to ensure their own survival by reforming the defense and security services, or to maintain access to emergency credit lines from the IMF or funds from international donors. The driving force behind reform, therefore, is the not the organizational cohesion of a political party that allows elites to credibly commit to forgoing short-term gains, but that the imminent threat acts on the individual incentives facing each member of the elite.

Indeed, this conceptual explanation quite elegantly accounts for the varying outcomes of these three cases. As several analyses have pointed out, Ukraine was actually in quite good economic condition in 2004, and appeared to be improving. Indeed, Yushchenko's popularity was based largely on his performance as Central Bank head and Prime Minister, which helped to extricate Ukraine from the 1998 financial crisis. As such, these conditions differed clearly between the two Ukraine case studies. In 2004, following the Orange Revolution, in a relatively prosperous period of economic growth, political and economic elites faced a zero-sum game for the economic gains from control of state positions. In 2014, in contrast, following Yanukovych's departure from Ukraine, Russia occupied and annexed the Crimea, and subsequently sponsored separatist movements in the east and south of the country, which resulted in a protracted conflict in Donetsk and Luhansk.[461] The dual pressures of a collapsing economy and a Russian-

[461] The war in the Donbas shares characteristics of both inter- and intra-state conflict. Ostensibly the Ukrainian armed forces are fighting the armed forces of the self-declared Donetsk People's Republic and Luhansk People's republic, although there is ample evidence Russia is providing these entities with substantial support, including financing, weapons, and personnel.

backed insurgency in the east have made Ukraine's pro-European government dependent on a series of loans from the IMF and unilateral donors, for which these donors have demanded a series of governance and macroeconomic reforms. In this sense, Poroshenko, Yatsenyuk, and their associated political and economic elites may very well see a mutual interest in committing to significant reforms. Although the Orange Revolution did produce some conflict between the eastern and western parts of the country, even resulting in calls for separatism in isolated cases, the situation obviously did not devolve into the protracted political violence initiated by Russian-backed separatists in 2014. In this sense, the worst performer in terms of reform outputs was also the case least threatened by imminent security or economic crises.

Furthermore, this explanation also helps explain the Georgia case. In the late 1990s and early 2000s, Georgia faced clear security pressures vis a vis Russia. Georgia struggled to incorporate three Russian-leaning autonomous territories (Adjara, Abkhazia, and South Ossetia), while dealing with Russian airstrikes against alleged North Caucasus rebels in the Pankisi Gorge. Indeed, a central focus of Saakashvili's rhetoric before and after the 2003 parliamentary elections was strengthening Georgia against Russian aggression via state building and economic development. Furthermore, Saakashvili and the UNM enjoyed significant political and economic support from international donors, especially the United States. Continuing access to these funds, as well as foreign direct investment, which constitutes a significant percentage of Georgia's GDP, certainly incentivized reforms.

However, this collective survival account is not entirely satisfactory in explaining these reform outcomes. In the Georgia case, in terms of reform mechanisms, once Saakashvili achieved power, Georgia was not a situation in which previously competing elites suddenly found a common interest in their collective survival. Rather, it was a case in which a new set of elites, backed by previously excluded constituencies, effectively overthrew entrenched interests, many of whom were in fact supported, or had an affinity with, Russia.

Furthermore, the security situation vis a vis Russia actively worked to inhibit reforms by a relatively cohesive UNM party and a reform-minded cabinet. Indeed, Russia engaged in a series of sabotage efforts designed to weaken political support for Saakashvili. Most directly, Russia supported separatist movements in Abkhazia and South Ossetia, culminating in the Russian invasion of Georgia in 2008. Less dramatically, however, key reform figures in the post-Rose Revolution governments believe Russia engaged in political sabotage by manipulating energy supplies to Georgia, causing blackouts and other inconveniences that would hurt Saakashvili's political popularity.[462] In this sense, imminent security pressures, even if they did not actually impede reforms, certainly did not facilitate them.

[462] Author interview with Ekaterine Tkeshelashvili, Tbilisi, Georgia, 11/05/2013.

With regard to the post-Euromaidan Ukraine case, the dual incentives of security pressures and donor conditionality have also played a prominent role, but still do not satisfactorily explain reform outcomes. In fact, the post-Euromaidan Ukraine economic and security situation resembles that of Georgia in 2003-2004 in many respects, although as of writing, the post-Euromaidan government's reform outputs more closely resembled that of the post-Orange Revolution governments than of Georgia's between 2004 and 2006. While we might, therefore, attribute any marginal improvements in reform outputs in Ukraine to the more imminent security and economic threats in 2014, these threats clearly have not been compelling enough to drive the spontaneous coordination of Ukraine's political and economic elites. Even facing arguably the most pronounced threat from war and economic crisis, the post-Euromaidan elites, even those that profess to be reform-oriented and pro-European, have not coordinated to insulate the state from private economic interests, thereby insuring their collective survival. Within this context, we need an explanation for what impedes the coordination of elites in Ukraine, even when they have a mutual interest in securing their own survival. I have advanced the lack of coordinating political parties as one such explanation.

Personal leadership

Leadership capacity

A second line of argument might posit that variation in the reform outputs between these three cases is due to differences in the individual characteristics of their

respective "reformers." This alternative explanation might be formulated in two specific ways. First, reform outputs might depend on the capacity of individual leaders to implement them. Indeed, several analyses have attributed political survival at least in part to the skills and experience of individual leaders.[463] Following a similar logic, public sector reforms, especially in the sense of state positions as a tool of patronage, might depend on the skills and experience of leaders who are more or less capable of achieving the most politically efficient tradeoff of short-term patronage for the long-term public good of reform. In this formulation, perhaps Saakasvhili was more successful in terms of public sector reforms because he was a better or more experienced politician.

However, a cursory examination of the pre-reform experience of the political principals highlighted in this study[464] provides little ex-ante evidence that skills and experience were associated with reform outcomes. Indeed, within this group, Saakasvhili was perhaps the least politically experienced, having served as an MP from Shevardnadze's party since 1995, and serving as Justice Minister for about a year in 2000-2001 before moving into political opposition, where he became head of the Tbilisi *sakrebulo*.[465]

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[463] For example, with regard to authoritarian survival, see Way (1005).

[464] That is, Yushchenko and Tymoshenko in post-Orange Revolution Ukraine, Saakashvili and Zurab Zhvania in Georgia, and Poroshenko and Yatsenyuk in post-Euromaidan Ukraine.

[465] His Rose Revolution ally, Zurab Zhvania, on the other hand, was perhaps one of the most experienced and respected politicians in post-independence Georgia. However, Zhvania was not the source of Saakashvili's political support immediately prior to the Rose Revolution, and played a subordinate role in the post-revolution premiership. He was, however, instrumental in recruiting important reformers to Georgia's government, including Bendukidze.

Meanwhile, in the first Ukraine case study, the reform coalition partners Yushchenko and Tymoshenko were both experienced in national-level Ukrainian politics.[466] Yushchenko served as head of Ukraine's national bank from 1993 to 1999, a position in which he developed a reputation for competent governance and macroeconomic stabilization reforms that extricated Ukraine from the 1998. As a result, Kuchma appointed Yushchenko Prime Minister in 1999, where he attempted to strike a political balance between the radical opposition and Kuchma supporters in the government.[467] In this position, Yushchenko garnered important experience with Ukraine's clientelistic mode of politics, when he was ousted in a no-confidence vote engineered by oligarchs whose interests were hurt by Yushchenko's reforms. While much of Yushchenko's experience was arguably technocratic in nature, he was no political neophyte by the time he assumed the presidency in the Orange Revolution. Furthermore, within the Ukrainian context, Yushchenko proved more politically capable than several of his predecessors as prime minister under Kuchma. Indeed, although the premiership was weak relative to the presidency in terms of formal power under Kuchma, its high public profile provided a platform for potential challengers to the president. Indeed, several politically savvy erstwhile allies of Kuchma used the premiership as a platform through

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[466] For her part, Tymoshenko was active in national politics since 1996 as a member of parliament. She established her *Batkivshchina* party in 1999, and served as a Deputy Prime Minister under Yushchenko, the highest post she would hold prior to becoming Prime Minister in 2005.

[467] Recall that Yushchenko publicly opposed the "Ukraine without Kuchma" protests in the early 2000s.

which to challenge the president (Protsyk 2006). Among these, only Yushchenko was actually successful in winning the presidency.[468]

Similarly, the post-Euromaidan political principals in Ukraine both have significant political skills and experience. Yatsenyuk has been active in Ukrainian politics since 2001, beginning at the local level before moving up to the post of Minister of the Economy in the Yekhanurov government during the Yushchenko administration. He also served as Minister of Foreign Affairs and *Rada* speaker before moving into opposition during the Yanukovych administration. He has demonstrated an ability to move between the feuding Orange coalition camps, serving first as an MP in the pro-Yushchenko Our Ukraine bloc before starting his own Front for Change party, which then merged with Tymoshenko's *Batkivshchina*, where Yatsenyuk led the party during her imprisonment.

Poroshenko has been active in Ukrainian politics at least since the late 1990s, and has demonstrated a remarkable ability to remain influential regardless of the political force in power, staying loyal to Kuchma and contributing to the creation of the Party of Regions before strategically defecting to back the Orange Revolution. He served in several high-level under Yushchenko, including Secretary of the National Security and Defense Council and Minister of Foreign Affairs. Prior to winning the presidency after

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[468] Of course, the fact that Kuchma was a lame duck and Yushchenko ran against a nationally inexperienced Yanukovych played an important role here. Indeed, the fraudulent 2004 presidential elections provided a focal point for opposition to Kuchma that was not present for other prime ministers that defected from Kuchma's ruling coalition (Hale, 2005). However, Kuchma still geared the machinery of the state toward supporting Yanukovych's election, making Yushchenko's victory no easy task.

the Euromaidan revolution, Poroshenko served as Minister of Trade and Economic Development in the first Azarov government during the Yanukovych administration. Whatever the reason for the slow pace of reforms in post-Euromaidan Ukraine, therefore, it seems unlikely that it is due to a lack of political skill or experience by either Yatsenyuk or Poroshenko. Similarly, even conceding that Yushchenko was not necessarily more politically skilled or experienced than Saakashvili in Georgia, one would be hard pressed to make the case that Saakashvili was the more capable of the two, and that any marginal capability produced their wildly different public sector reform processes.

Individual Preferences

However, a more compelling alternative explanation might focus less on the emerging opposition leaders' skills or experience, and more variation in their underlying preferences. Specifically, it may be the case that Saakashvili presided over sweeping reforms because he wanted reforms, while the principals in the two Ukrainian cases, in a typical "hedging" strategy, wanted to advertise reforms while continuing to use state positions for their own political and economic interests. In this line of argument, there are at least four stylized possibilities: First, at least one prominent member of a challenging coalition has an underlying preference for reform, and the implementation of reforms depends largely on the political environment. Second, the emerging challenger has no underlying preference aside from getting and staying elected. That is, the challenger will reflect the will of the minimum coalition required to gain and maintain power. Third, an

emerging challenger begins with a preference for reform, but once he finds himself in power, the spoils of office are too irresistible to surrender. Fourth, the emerging challenger has no underlying preference for reforms, and maintains the cynical strategy of campaigning as a reform candidate, fully intending to capture state resources once in power.

Unfortunately, given the incentives for politicians to falsify their reform preferences in these systems, the analyst is faced with much the same dilemma as are elites and citizens when it comes to determining the policy preferences of emerging challengers. The third possibility above seems particularly difficult to falsify, for example. Again, however, an examination of these emerging challengers' experiences in government suggest no significant *ex ante* evidence of a difference between the preferences of Saakashvili on one hand, and Yushchenko or Yatsenyuk on the other. In contrast, the political histories of Tymoshenko and Poroshenko in Ukraine suggest no underlying preference for reform, although both have a consistent history of political expediency.

First, each of Saakasvhili, Yushchenko, and Yatsenyuk have a history of undertaking significant public goods reforms, some of which were politically costly individually. In the baseline comparison of Georgia and Ukraine, there is little ex ante evidence to distinguish Yushchenko from Saakashvili. Recall that Saakashvili was one of Georgia's "young reformers," a modernizing wing of Shevardnadze's Citizens Union

party, recruited by Zurab Zhvania. In parliament, Saakasvhili consistently pushed an anticorruption agenda, eventually receiving an appointment to the post of Minister of Justice. In this capacity, Saakashvili maintained a consistent drive to identify and publicize cases of corruption by state officials, generating significant pushback from Shevardnadze's core supporters. Finally, Saakasvhili resigned his post to move in to opposition, citing the CUG's intransigence on reforms. Granted, in this sense, Saakasvhili was the most likely reformer in the cases under analysis. His anticorruption initiatives were consistent, radical, and politically costly.

Certainly, Yushchenko's reform credentials were not as consistent or radical. However, like Saakashvili, Yushchenko implemented significant reforms as central bank head and Prime Minister, and was similarly well regarded both among the political elite and with voters, as both a competent technocrat and an honest politician. Yushchenko earned his initial reputation as head of the central bank, where he was responsible for creating the national currency, and for the macroeconomic stabilization that extricated Ukraine from the 1998 financial crisis. Upon his appointment to the premiership, Yushchenko continued to pursue public goods reforms rather than narrow individual interests. Indeed, although the premiership was weak relative to the presidency, Ukraine's previous prime ministers had used the post to build opposition to the president (Protsyk 2006). However, there is no evidence that Yushchenko used the premiership as a source of personal or political enrichment. Indeed, in the post, Yushchenko generated significant pushback from pro-Kuchma oligarchs by instituting a series of anticorruption reforms,

focusing on reforming regulation licensing Ukraine's corrupt energy sector, returning billions of dollars to the state budget by eliminating tax exemptions in the energy sector. Indeed, Yushchenko's reforms were costly to him individually, as he was sacked in a vote of no confidence engineered by pro-Kuchma oligarchs once the financial crisis had passed. Although this background does not conclusively demonstrate that Yushchenko was not inherently predatory, or that once he became president, the spoils of office became irresistible, it does suggest that looking forward from 2003, there was little evidence to distinguish Saakasvhili from Yushchenko with respect to reform credentials.

Similarly, post-Euromaidan Prime Minister Arseniy Yatsenyuk's had similar reform credentials. Yatsenyuk's reputation resembles that of Yushchenko in 2002—a technocrat with a history of good governance, if with some doubt about his will to implement large-scale reforms.[469] An economist and lawyer by training, Yatsenyuk made several politically costly decisions, including twice declining offers from Yanukovych to serve as Prime Minister in coalition with the Party of Regions, and resigning as Prime Minster of the first post-Euromaidan government following the collapse of the ruling coalition. He has also attempted to signal a commitment to reforms, referring to the post-Euromaidan governments as "kamikaze governments" in reference to the necessity of undertaking politically painful reforms. Again, while the evidence in favor of Yatsenyuk's

[469] Indeed, in 2009, Ukraine analyst Taras Kuzio referred to Yatsenyuk as a "clone" of Yushchenko in an op-ed to the *Kyiv Post* ("Yatsenyuk, a Yushchenko Clone, Will Bring Stagnation." *KyivPost*. Accessed July 3, 2015. http://www.kyivpost.com/opinion/op-ed/yatsenyuk-a-yushchenko-clone-will-bring-stagnation-36764.html).

underlying reform preferences is not conclusive, neither does it suggest an inherent desire to capture state positions to advance a personal interest.

Finally, the reputations of Yushchenko, and Yatsenyuk might usefully be contrasted with that of their coalition partners, Yulia Tymoshenko and Petro Poroshenko, neither of whose backgrounds suggest evidence of an underlying preference for reforms. Both are oligarchs with established clientelistic political machines. Tymoshenko, in particular, was a Dnipropetrovsk gas magnate and protege of Pavlo Lazarenko, a former prime minister of Ukraine who has been convicted on several corruption-related charges in the United States. Her *Batkivshchina* party, developed from the remnants of Lazarenko's party, served as a clientelistic political bloc representing the interests of personal networks associated with Tymoshenko. Although she consistently led the radical opposition to Kuchma, and later Yanukovych, there is little evidence that opposition is particularly ideological or geared toward a public goods policy program.

Similarly, Poroshenko's political history provides little reason to believe he has an underlying interest in reform for the sake of reforms. His main economic assets are the Roshen group, a confectionary and agricultural conglomerate, and the 5 Kanal television channel, which has traditionally supported Poroshenko's political allies. Poroshenko's alliances have been fluid, however, and he has shown a willingness to work with all political forces. Certainly, Poroshenko has sponsored some of Ukraine's more progressive political movements over the past two decades, including the Orange Revolution and the

Euromaidan protests, although his main motivation appears to have been political expediency. These popular movements provided an opportunity for Poroshenko to counter the monopolization of political power by the Party of Regions and the Donetsk oligarchs.

Furthermore, Poroshenko has consistently been the target of corruption allegations[470]. As Head of the National Security and Defense Council under Yushchenko, he was the target of corruption allegations from associates of Orange coalition ally Yulia Tymoshenko. Since his election in 2014, Poroshenko's presidency has been shadowed by accusations of conflicts of interest, with his Roshen group increasing its profits significantly in 2014.[471] Finally, Poroshenko's reform credentials, along with those of his political ally Vitaliy Klitschko, took a further hit in early 2015, when oligarch Dmitro Firtash alleged during his extradition hearing in Austria that he brokered a political agreement between Poroshenko and Klitschko in which Klitschko agreed to run for Kyiv mayor and support Poroshenko for president, and to subsume UDAR under the Poroshenko Bloc in advance of the October 2014 parliamentary elections.[472] There is little evidence, then, that either Poroshenko or Tymoshenko harbored reform intentions

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[470] Like many of these allegations in Ukraine, the accusations from the camps of Tymoshenko and Yatsenyuk are likely politically motivated, which of course does not mean they are not true.

[471] " Poroshenko's Decision Not to Sell His Ukrainian Confectionary Corporation Comes back to Bite Him." *KyivPost*. Accessed June 14, 2015. http://www.kyivpost.com/content/kyiv-post-plus/poroshenkos-decision-not-to-sell-his-ukrainian-confectionary-corporation-comes-back-to-bite-him-381345.html. In June 2015, Poroshenko concluded an agreement to sell his shares of Roshen under a trust agreement.

[472] These allegations of cooperation with the ostensibly pro-Party of Regions oligarch go back as early as the Yushchenko presidency, when Yulia Tymoshenko alleged that Firtash was funding both the campaign of Yushchenko and Yanukovych.

looking forward from 2003, and again from 2012. However, it is at least plausible that given their extensive political experience, both have an interest in political expediency, and could support reforms in a favorable political environment.

By focusing on cases in which challengers came to power on the heels of popular movements expressing frustration with corruption, I have generally assumed possibilities 1) or 2) above—that is, emerging challengers either have an underlying preference in reforms, or are willing to undertake reforms if it is politically expedient. Indeed, I argue that the findings of the process tracing comparisons are consistent with each of those possibilities. To put it another way, I have assumed Saakashvili was at least indifferent, and likely preferred reforms; in either case, his incorporation of reform constituencies into a formal political party shaped the political environment in a way that made reforms feasible. In contrast, Yushchenko in one case, and Yatsenyuk in the other, if not reformers at heart, would respond to a strong reform impulse from voters, if not for the imperative to maintain patronage. Similarly, although his background provides no obvious suggestion Poroshenko is inherently interested reforms, his history suggests a political expediency that would lead him to pursue reforms when doing so would provide an obvious political benefit.

Determinants of Party Formation

Finally, the differences in the reform processes in these three cases might better be explained through the determinants of challengers' party development strategies. The argument advanced in the dissertation is the result of a deliberate decision to limit the scope of analysis to the point of decision about how to challenge political incumbents, and to explore the consequences of that initial choice for the process of reforms once challengers take power. In doing so, the case studies make the points that 1) both strategies were available to challengers, and 2) party-building relied primarily on one of those strategies relative to the other. It therefore leaves open the question of why challengers choose particular party-building strategies. However, this question might provide a more convincing alternative explanation if deeper structural, institutional, or cultural factors shape challengers' party-building decisions in predictable ways. In this case, variation in party-building strategies would be epiphenomenal to the deeper factor(s) which might then be identified as a root cause of reforms.

Indeed, the literature review section in Chapter 1 suggests several structural, institutional, or identity factors that might plausibly account for challengers decisions to build either internally or externally mobilized political parties. For example, prominent work on party formation has argued that politicians' party building strategies depend on incentives to mobilize economic class groups or co-ethnics[473] (Chandra 2007), or the availability of relatively cheap substitutes for political parties (Hale 2005a). More specifically to the cases under examination, Wilson (2005) identifies a set of institutional

[473] See Shefter (1977) for a survey and critique of these arguments.

features that incentivize the development of "virtual" political parties in the post-Soviet space.[474]

Several analyses have noted that Ukraine's structural characteristics, especially its reinforcing linguistic, geographic, and political cleavage between the western and eastern parts of the country, make it incompatible with the sort of coordination that I have argued facilitates a credible commitment to reforms. Certainly, the contrasting cultural affinities of the western regions with Europe and the eastern and southern regions with Russia, have produced a clear electoral divide that has characterized both presidential and parliamentary elections since independence.[475] In particular, Darden (forthcoming) argues that this divide is path dependent and durable, stemming from different socialization processes with roots in the Austrian/Polish colonial administration of the western regions, and Russian administration of eastern regions. Furthermore, Ukraine's structural divides may work to preclude both authoritarian and democratic consolidation (D'Anieri 2011; Way 2005). Applying a similar logic, one might reasonably conclude that this structural divide incentivizes the development of locally-based political parties or political

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[474] Again, the study is designed to control for these institutional characteristics. With the exception of the parliamentary elections conducted under the 2004 constitution in a full PR format, Georgia and Ukraine operated under a roughly similar set of electoral institutions, including electing half of parliament through single member districts, one institutional feature thought to incentivize the development of clientelistic parties.

[475] Colton (2011) characterizes the 2010 presidential elections as the first "aligning election" in Ukraine's history, in which the results reflect the continuing loyalty of voters vis a vis the previous election (quoted in Kudelia, 2014). However, a clear Ukrainian nationalism in the western regions of Ternopil, Lviv, and Ivano-Frankivsk, and a clear Russian affinity in Donetsk, Luhansk, and Crimea are evident as early as the 1991 independence referendum and the presidential elections later that year.

machines, especially given distinct, regionally-based distinctions in attitudes toward Russia and Europe.

However, this formulation overstates the influence of regional and identity divides in Ukrainian politics. Hale (2011), for example, notes that pattens of clientelistic competition continually crossed regional lines, as competing networks rearranged alliances in order to counter the influence of ascending networks. Furthermore, In both Ukraine cases, the ostensible reform parties were not regionally based, but competed for the same constituencies in the west and center of the country. That is, the infighting in the Orange coalition, and to some extent the post-Euromaidan coalition government has been between parties with power bases outside the Donbas, and therefore gives neither any greater or lesser incentive to mobilize co-ethnics with clientelistic appeals. Even assuming the political and economic elites in the Donbas were more inclined toward corruption,[476] they were generally not in a position to obstruct reforms under the incoming reform governments. To the extent that these elites were able to obstruct reforms, they did so largely through clientelistic means, including the use of target threats and inducements for parliamentarians, and local representatives and administrators—precisely the sort of sabotage that coordinated, externally mobilized political parties might have mitigated.

[476] Yanukovych's presidential term suggests that at least his family and personal associates certainly were.

Furthermore, this explanation belies the structural divides that characterize Georgian politics. Indeed, with respect to ethnic and regional divisions, Georgia in 2003 was not in a demonstrably more favorable condition than Ukraine in 2004 or 2013. Several studies have emphasized the ethnic and regional nature of Georgia's federal structure, containing three autonomous regions (Adjara, Abkhazia, and South Ossetia) created for ethnic minorities, and two additional ethnic enclaves, Kvemo Kartlii (Azerbaijani) and Samtskhe-Javakheti (Armenian) (George 2008; 2009). Indeed, (Jackson 2004) has referred to Georgia as an ethnic "fissile state." Certainly, this structural characteristic has favored the development of clientelistic political machines in many cases. Key Shevardnadze supporter Levan Mamaladze, for example, was governor of Kvemo Kartlii, while Adjaran strongman Aslan Abashidze established his own fiefdom in Adjara. Even Saakashvili and the National Movement drew upon local strongmen to secure political support, both before and after the Rose Revolution (Timm 2010; Gotua and Svanidze 2013). However, any incentive to draw on clientelistic appeals to secure the support of co-ethnics, members of particular economic classes, or other identity groups did not preclude Saakasvhili from mobilizing the National Movement primarily on the basis of constituencies previously excluded from Georgian politics.

Finally, one particularly compelling line of argument in this vein might draw on Hale's (2003) argument regarding the lack of party development in Russia. In this account, political entrepreneurs defer from investing in political party development where relatively cheap party substitutes, like regional political machines or financial industrial

groups, are available to advance their electoral interests. Indeed, given the similarity of Russia and Ukraine in this respect, we might attribute the decisions by Yushchenko, Tymoshenko, Yatsenyuk, and Poroshenko to aggregate existing clientelistic networks to a more plentiful supply of these party substitutes relative to Georgia.

To some extent, this argument belies the influence of big businessmen in Shevardnadze's regime in Georgia, as well as the role of regional power brokers in securing votes for political patrons exchange for access to state resources from the center. Certainly political entrepreneurs relied on brokers from large businesses and agricultural holdings to secure votes. Again, Saakashvili and the National Movement also relied on these brokers to some extent. So the existence of private power brokers would not preclude party-building, per se. However, one clear difference between Georgia and Ukraine was that Georgia lacked oligarchs on the order of Rinat Akhmetov, Ihor Kolomoisky, or Dmitro Firtash in Ukraine. While Badri Patarkatsishvili made some attempts to gain influence over the Georgian state during the process of transition, his wealth was not based in Georgia, and was therefore not dependent on influence over the state in the same way that Akhmetov's and Kolomoisky's fixed assets are in Ukraine. To paraphrase prominent Georgian political scientist Ghia Nodia in his comments as a discussant to the author in a conference presentation,[477] "One advantage of Georgia is that our oligarchs made their money in Russia."

[477] Paraphrased.

The party substitutes argument therefore provides a compelling potential alternative, or at least complementary explanation to the analysis advanced in this dissertation. Indeed, although this analysis has been limited to the consequences of the party-development choice for reform outcomes, these outcomes might also be usefully traced back to distinctions in economic structure, the organization of communist party networks, the mode of Soviet transition, or other factors that created an abundance of large-scale party substitutes in Ukraine relative to Georgia. I necessarily leave this question open to other research. However, if my analysis improves on this account in any respect, it does so by taking the choice of party development strategy seriously by highlighting that the range of options was available in both cases, and that a strategy that draws on external constituencies is likely to have more favorable consequences for public sector reform. Conceptually, if public sector reform outcomes are entirely dependent on structural or historical factors that shape the market for electoral organizations, Ukraine has little hope for reform in the future without exogenous structural changes that eliminate these financial-industrial groups as a source of electoral resources.

Summary

To conclude, I have argued that in clientelistic political systems, emerging reformers' decisions about political party development have longer-term, contingent consequences for their public sector reform efforts once they achieve power. Specifically, clientelistic systems, due to the political value of corruption in a system based on

individualized exchange of rewards and punishments for political support, create incentives for politicians to advertise anticorruption reforms without actually enforcing them. As a result, political elites are constantly unsure of whether other elites truly want reforms. This uncertainty creates a problem of credible commitment when coalitions of ostensible reformers come to power. Even true reformers, faced with political competition, will be unwilling to forgo the value of corruption and patronage unless they are sure other members of their coalition will do the same. Therefore, challengers can facilitate a credible commitment to reforms by contesting elections with political parties developed on the basis of constituencies mobilized from outside the existing political establishment. These parties, even if they continue to rely on clientelistic measures to maintain a coalition, contain a "latent group" that is both willing and able to hold self interested party elites accountable for pursuing the collective electoral interest of the party. In short, these external constituencies solve the party's collective action problem and enable it to provide public goods. In contrast, parties that organize existing patron-client networks have no such latent group, and party members are able to continue to pursue narrow economic or political interests, including defecting from the party to maintain access to resources. As a result, challenging parties that do not incorporate external constituencies cannot credibly commit to eliminating the use of state positions as patronage.

To illustrate this argument, I conducted a process-tracing analysis of reform processes in the context of a controlled comparison of three cases—Ukraine from 2000 to

2007, Georgia from 2001 to 2008, and Ukraine from 2010 to present. The first Ukraine case serves as a demonstration of the theoretical baseline—a case in which an ostensible reform challenger, Viktor Yushchenko challenged elections with his Our Ukraine party serving as an electoral umbrella for a collection of established parties and economic sponsors. As a result, the opposition to incumbent president Leonid Kuchma remained uncoordinated, leading to the adoption of an institutional compromise that created a state of political competition between competing clientelistic networks, in which none of the political principals could credibly commit to reform. In contrast, Mikheil Saakashvili, the reform challenger in Georgia, challenged elections with his National Movement party developed on the basis of constituencies previously excluded from politics. The electoral success of the party encouraged elite coordination, leading to the adoption of a constitutional framework that concentrated formal power in the presidency inhabited by Saakashvili, allowing all relevant political elites in the coalition to credibly commit to meritocratic appointments and public goods provision. Finally, Ukraine from 2010 to present provides a middle case. In this case, the dominant parties in the *Rada* were clientelistic umbrellas, and as a result, the party leaders, President Petro Poroshenko and Prime Minister Arseniy Yatsenyuk, face similar problems of credible commitment to forgoing patronage appointments as did their predecessors in the Orange coalition. However, the post-Euromaidan parliament has been characterized by a greater degree of incorporation of external constituencies, both in the form of the relatively programmatic *Samopomich* party, and through the inclusion of prominent activists on the lists of the

dominant clientelistic parties. This cohort of reformers is able to exercise some influence on the major party elites in order to push for anticorruption reforms.

Finally, I have argued that the account above provides some improvement over the explanatory value of several compelling alternative explanations. Although the study was designed to hold constant several important variables that might otherwise explain reform outcomes, the small sample size is insufficient to control for all relevant variables. In particular, arguments about the degree of economic and security crises, leadership capacity and individual preferences, and the determinants of party-building provide compelling alternative accounts. However, the process-tracing case studies above illustrate that emerging challengers' party-building strategies are an important determinant of reform under varying structural conditions, under different assumptions about challengers' preferences, and contribute to our understanding of the effects of party-building on reform outcomes, even if that decision is itself determined by deeper structural or institutional factors. Again, while the above account does not conclusively adjudicate between alternative explanations using hypothesis testing, the process-tracing methodology in the context of a controlled case study provides important explanatory value by exploring the dynamics of political party development, the interaction of parties and institutions, and the effects of both on public sector reforms.

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